

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1362219-0

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Date 2/16/83

Title and Character of Case

Thomas K. Jones
ET AL
COI-DOD

Date Property Acquired
C/A received on 2/16/83

Source From Which Property Acquired

FBI Seattle

Location of Property or Bulky Exhibit

Bulky

Reason for Retention of Property and Efforts Made to Dispose of Same

Evidence

To Be Returned
☒ Yes ☐ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

b6
b7C

☒ Yes ☐ No Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

Description of Property or Exhibit

873 numbered pages of documents furnished
by Boeing

b6
b7C

Returned to
Boeing Alt
10/30/84 PM2

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

PM2 10/5/83

58-264-1B^D
BLOCK STAMP

Field File # 58-264

OO: AX

ORIGINAL (FILE COPY)

SEARCHED	INDEXED
SERIALIZED <u>UH</u>	FILED <u>MT</u>
FBI - ALBUQUERQUE	
<u>[Signature]</u>	

CHAIN OF CUSTODY

Accepted Custody	Date	Time	Released Custody	Date	Time
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		

[illegible]

Date 2/28/83

Title and Character of Case

Thomas K. Jones
E+AI
COI

Date Property Acquired <u>2/28/83</u>	Source From Which Property Acquired <u>Grand Jury - EDVA - Alexandria VA.</u>		
Location of Property or Bulky Exhibit <u>ECR</u>	Reason for Retention of Property and Efforts Made to Dispose of Same <u>Evidence</u>		
To Be Returned <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit	Agent Assigned Case
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.			

b6

b7C

Description of Property or Exhibit

2319 pages of documents Boeing
provided to FGJ

Returned to Boeing
Atty [redacted]
10/30/84 PMS

For Valuable and/or Narcotics Evidence Only	Signature of Two Special Agents Verifying and Sealing Bag Contents
Evidence Bag Seal # _____	_____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

PMS 10/5/83

58-264 113 (2)
BLOCK STAMP

Field File # 58-264

OO: AX

ORIGINAL (FILE COPY)

SEARCHED	INDEXED
SERIALIZED <u>ME</u>	FILED <u>ME</u>
FEB 28 1983	
FBI - ALEXANDRIA	

CHAIN OF CUSTODY

Accepted Custody	Date	Time	Released Custody	Date	Time
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
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Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		
Signature _____ Reason _____			_____		

[illegible]

Date 9/6/83

Title and Character of Case

Thomas K. Jones
ET AL

Date Property Acquired

9/6/83

Source From Which Property Acquired

Federal Grand Jury

Location of Property or Bulky Exhibit

Bulky

Reason for Retention of Property and Efforts Made to Dispose of Same

Evidence

To Be Returned

☒ Yes ☐ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

b6

b7C

☒ Yes ☐ No Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

Description of Property or Exhibit

Documents numbered 2322 thru
3735

returned to Boeing
atty 10/30/84
pms

b6
b7C

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

PMS 10/5/83

Field File #

58-264

OO: Ax

ORIGINAL (FILE COPY)

BLOCK STAMP			
58-264-1183			
SEARCHED	INDEXED	SERIALIZED	FILED
SEP 6 1983			
FBI - ALEXANDRIA			

CHAIN OF CUSTODY

[illegible][illegible]

TRANSMIT VIA: Airtel

CLASSIFICATION: Unclas

DATE: 8/3/82

FROM: Director, FBI

TO: SACs, Alexandria (58-NEW)
Seattle

THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
MELVIN R. FAISLEY, ASSISTANT
SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
CONFLICT OF INTEREST - DOD
OO: ALEXANDRIA

Enclosed for Alexandria and Seattle are two copies of a DOJ referral letter dated 7/19/82, and related correspondence.

Captioned subjects were employees of Boeing Aerospace Company, Seattle, Washington, immediately prior to assuming their present positions with the Department of Defense. An audit of Boeing's records by the Defense Contract Audit Agency indicates that the three subjects have received \$395,000 for "terminal pay." This matter was referred to the Department of Justice in that the payments may have been in violation of Title 18, U. S. Code, Section 209 (Salary of Government Officials and Employees Payable Only by United States).

On 7/30/82, this matter was discussed by SSA [redacted]
[redacted] Governmental Fraud Unit, FBIHQ, with Departmental
Attorney [redacted] of the Public Integrity Section,
FTS 724-7140.

[redacted] advised that the intent of the subjects when the agreements were signed must be determined. Simultaneous interviews of the three subjects and Boeing's Chairman of the Board were deemed essential. Alexandria should note that the Defense Criminal Investigative Service is available to assist and could be used to good advantage.

Alexandria should have the case Agent contact prior to instituting investigation to insure the course of action is mutually agreeable.

Enclosures - 2

SEARCHED 1/6 INDEXED for
SERIALIZED 1/6 FILED for
AUG 7 1962
FBI

Buairtel to AX and SE
RE: THOMAS K. JONES

Seattle should await instructions from Alexandria prior to conducting any investigation. This matter should be given priority attention in view of the positions occupied by the subjects. Reporting requirements as set forth in the MIOG, Section 58, should be strictly followed.

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 8/26/82

FM ALEXANDRIA (58-264) (P)

TO SEATTLE ROUTINE

BT

UNCLAS

THOMAS K. JONES, DEPUTY UNDER SECRETARY OF DEFENSE; MELVIN R. PAISLEY, ASSISTANT SECRETARY OF THE NAVY; HERBERT A. REYNOLDS, OFFICE OF THE SECRETARY OF DEFENSE; CONFLICT OF INTEREST - DOD (OO:ALEXANDRIA)

RE BUREAU AIRTEL DATED AUGUST 3, 1982.

FOR INFORMATION OF SEATTLE, ON AUGUST 19, 1982, ALEXANDRIA CASE AGENT MET WITH DOJ ATTORNEY [REDACTED] REQUESTED THE CASE AGENT TELEPHONICALLY CONTACT DCAA AUDITORS [REDACTED] AND [REDACTED] TO DETERMINE IF INFORMATION LISTED IN A JANUARY 5, 1981, MEMO FROM [REDACTED] TO [REDACTED] INDICATING THAT THEY WOULD PROVIDE FORMAL DOCUMENTATION OF BOEING'S TERMINATION PAY PLAN, HAD BEEN RECEIVED. [REDACTED] ADVISED THAT THIS INFORMATION WAS PROVIDED BY BOEING IN A MEMO DATED MAY 12, 1982. ON AUGUST 25,

b6
b7C

Q-Alexandria
PMS:sfk
(1) *sfk*

b6
b7CApproved: *Wey*

Transmitted

(Number)

(Time)

Per

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO AX 58-264 UNCLAS

1982, [] REQUESTED THAT A COPY OF THAT MEMO BE OBTAINED FROM [] ALONG WITH ANY OTHER MATERIAL DCAA HAS THAT HAS NOT BEEN FURNISHED TO THE FBI OR DOJ. [] REQUESTED THAT THE MEMO DATED MAY 12, 1982, BE FACSIMILED TO ALEXANDRIA. [] STATED THAT AFTER THIS DOCUMENT IS RECIEVED, HE WANTS SIMULTANEOUS INTERVIEWS OF BOEING EMPLOYEES AND DOD EMPLOYEES.

SEATTLE IS REQUESTED TO CONTACT [] AT [] AND OBTAIN A COPY OF ABOVE-DESCRIBED MEMO AND FACSIMILE SAME TO ALEXANDRIA. FURTHER INFORMATION CONCERNING INTERVIEWS OF BOEING EMPLOYEES WILL BE FURNISHED AT A LATER DATE. [] REQUESTED THAT DCAA NOT BE MADE AWARE THAT SIMULTANEOUS INTERVIEWS WILL BE CONDUCTED.

BT

b6
b7C

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

FEDERAL BUREAU OF INVESTIGATION

b6
b7CDate of transcription 9/1/82

[redacted] Defense Contract Audit Agency (DCAA), Resident Office, The Boeing Aerospace Company, Kent, Washington, was contacted at his office by the interviewing agent who identified himself as a Special Agent of the Federal Bureau of Investigation by display of his credentials. [redacted] advised as follows:

[redacted] advised he submitted a report entitled, "Audit Report on Payments to Boeing Employees Accepting Government Employment, Boeing Aerospace Company, Seattle, Washington," on March 26, 1982, concerning \$395,000 charged to Boeing Aerospace Company General and Administrative expense for "Terminal Leave" made to three former Boeing Aerospace Company employees who terminated employment to accept positions with the U.S. Government.

[redacted] noted that since the Boeing Aerospace Company predominantly works on Government contracts, approximately eighty to ninety percent of the overhead costs are paid by the Government.

[redacted] provided the above report as well as the following:

A memorandum to the Regional Director, San Francisco Region, DCAA entitled, "Potential Irregularity Found During Examination of Boeing Aerospace Company's 1981 Recorded Overhead Costs," dated 3/30/82.

b6
b7C

A memorandum of [redacted] DCAA, to Resident Auditor, DCAA, Boeing Resident Office, dated 1/18/82.

A memorandum of [redacted] Assistant Corporate Comptroller, The Boeing Company, to DCAA Branch Manager dated 1/5/81 entitled, "Termination Pay."

DCAA Audit Report entitled, "Audit Report on Payments to Boeing Employees Accepting Government Employment, Boeing Aerospace Company" dated 3/26/82.

Investigation on 8/31/82 at Kent, Washington
by SA [redacted] sbk
b6
b7C

Date dictated

AX-58-264-4

SEARCHED	INDEXED
SERIALIZED	FILED
File # <u>58-315</u>	
8/31/82	

b6
b7C
pms

Boeing Internal Operating Procedure dated 5/12/82, b6
signed by [redacted] Boeing Director of Corporate Compensation. b7C

Memorandum of [redacted] Boeing, to DCAA Branch
Manager dated 2/17/82, entitled, "Termination Pay."

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 9/1/82

TO: SAC, ALEXANDRIA (58-264)

FROM: SAC, SEATTLE (58-315) (P)

THOMAS K. JONES,
 DEPUTY UNDER SECRETARY OF DEFENSE;
 MELVIN R. PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF THE DEFENSE;
 CONFLICT OF INTEREST - DOD
 OO: AX

Re AX tel to Seattle dated 8/26/82, and Seattle FD 448
 (Facsimile communication) to Alexandria dated 8/31/82.

Enclosed for Alexandria are the following:

b6
b7C

1. Original and two copies of FD 302 of [redacted]
 [redacted], Defense Contract Audit Agency,
 Boeing Aerospace Company, Kent, Washington, on 8/31/82, as well as
 r/d notes re that interview.

2. Memo of [redacted] to Regional Director,
 DCAA, dated 3/30/82.

3. Memo of [redacted] DCAA, to Resident Auditor,
 DCAA, Boeing Resident Office dated 1/18/82.

4. Memo of [redacted] Boeing, to DCAA Branch
 Manager dated 1/5/81, entitled, "Termination Pay."

5. DCAA audit report entitled "Audit Report on Payments
 to Boeing Employees Accepting Government Employment, Boeing
 Aerospace Company," dated 3/26/82.

2 - Alexandria (Enc. 10)
 2 - Seattle

HFB/sbk
 (4)

Approved: _____

Transmitted _____
(Number)

(Time)

Per _____

ITW/11

6. Boeing Internal Operating Procedure dated 5/12/82.

7. Memo of [redacted] Boeing, to DCAA Branch Manager dated 2/17/82, entitled, "Termination Pay." b6 b7C

Seattle notes the following which perhaps might be of assistance in reading the enclosed memorandum.

The DCAA has three resident offices in the Seattle area that deal with The Boeing Company. One of these resident offices is that headed by [redacted] at The Boeing Aerospace Company in Kent, Washington. A second DCAA resident office is headed by [redacted] at Renton, Washington, which deals with Boeing Corporate Headquarters. A third DCAA resident office deals with the commercial aircraft company of The Boeing Company.

Seattle notes the bulk of The Boeing Company's work is done on behalf of private commercial airline companies, thus a number of the enclosed memorandum deal with the issue of why the \$395,000 "termination pay" was charged to the Boeing Aerospace Company (which does 80-90% of its work on behalf of the U.S. Government) rather than The Boeing Company itself. The Boeing Aerospace Company's overhead being, in effect, paid predominantly by the Government, thus the "termination pay" of captioned subject is billed back to the Government. b6 b7C

A second point of interest concerns the memorandum of [redacted] The Boeing Company, dated 1/5/81, on the subject of "Termination Pay." Seattle notes [redacted] in a second memo dated 2/17/82, to [redacted] DCAA, attempts to change his term "Termination Pay" to "Severance Pay" and then give a citation to justify this expense.

Seattle conducting no further investigation until notified to do so by Alexandria. It is requested Alexandria give Seattle lead time in setting forth request for simultaneous interviews inasmuch as Seattle is experiencing manpower constraints.

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 9/7/82

FM ALEXANDRIA (58-264) (P)

TO SEATTLE ROUTINE

BT

UNCLAS

THOMAS K. JONES, ET AL; COI, (OO:ALEXANDRIA)

RE ALEXANDRIA TELETYPE TO SEATTLE, AUGUST 26, 1982; SEATTLE
 FACSIMILE TO ALEXANDRIA DATED AUGUST 31, 1982; AND ALEXANDRIA
 TELEPHONE CALL TO SEATTLE DATED SEPTEMBER 1, 1982.

REFERENCED TELETYPE ADVISED SEATTLE THAT DOJ ATTORNEY

REQUESTED SIMULTANEOUS COMPREHENSIVE INTERVIEWS
 OF BOEING EMPLOYEES, AS WELL AS THE THREE SUBJECTS AT THE PENTAGON.

ADVISED THAT A MAJOR POINT THAT NEEDED TO BE DETERMINED IN
 THE INTERVIEWS, IS THE INTENT OF THE PARTIES INVOLVED WHEN THE
 TERMINATION OR SUPPLEMENTAL PAY WAS OFFERED. IF THERE WAS ANY
 INDICATION OR UNDERSTANDING, WHETHER WRITTEN OR ORAL, THAT THE
 SUBJECTS WOULD RETURN TO EMPLOYMENT AT BOEING UPON COMPLETION OF
 GOVERNMENT SERVICE, ALL DETAILS SHOULD BE OBTAINED.

1-Bureau (Mail Copy)
 ①-Alexandria (58-264)
 PMS:sfk
 (2) *sfk*

58-264-12

Approved: *JKH*Transmitted 004
(Number)5³⁰_P
(Time)Per *CP*b6
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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
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☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO AX 58-264 UNCLAS

ALEXANDRIA WILL ATTEMPT TO CONTACT THE THREE SUBJECTS ON SEPTEMBER 13, 1982, AT 7:00 P.M., EASTERN STANDARD TIME. SEATTLE SHOULD CONDUCT INTERVIEWS ON SEPTEMBER 13, 1982, OF THE FOLLOWING INDIVIDUALS AT 4:00 P.M, PACIFIC STANDARD TIME:

1) [] OF THE BOARD OF BOEING AEROSPACE. DCAA [] ADVISED THAT [] MADE THE DECISION AS TO WHO WOULD RECEIVE TERMINATION PAY.

2) [] - OFFICE OF CORPORATE COMPENSATION. [] STATED THAT HE THOUGHT [] REVIEWED THE PROPOSAL AND MADE RECOMMENDATIONS TO [].

3) [] [] ADVISED THAT HE THOUGHT [] WOULD HAVE PREPARED THE DOLLAR AMOUNT FOR THE TERMINATION PAY.

4) [] CORPORATE COMPENSATION. [] AUTHORED THE MEMO SEATTLE FACSIMILED TO ALEXANDRIA EXPLAINING THE TERMINAL PAY PROCEDURES.

5) VICE PRESIDENT - INDUSTRIAL AND PUBLIC RELATIONS. NO NAME OF THE INDIVIDUAL WAS GIVEN; HOWEVER, THIS INDIVIDUAL WAS LISTED IN THE PROCEDURE SECTION OF INTERNAL OPERATING PROCEDURE MEMO ON TERMINAL PAY FACSIMILED TO ALEXANDRIA.

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Approved: _____

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☐ Routine

CLASSIFICATION:

☐ TOP SECRET
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☐ UNCLAS

Date _____

PAGE THREE AX 58-264 UNCLAS

6) VICE PRESIDENT - CONTRACTS AND LEGAL COUNSEL. NO NAME OF THE INDIVIDUAL WAS GIVEN AND HE WAS MENTIONED IN THE FACSIMILED MEMO ON INTERNAL OPERATING PROCEDURE IN THE PROCEDURE SECTION.

FOLLOWING IS A LIST OF QUESTIONS TO BE COVERED IN THE ABOVE INTERVIEWS:

1) DETERMINE THE INTENT OF THE TERMINATION OR SUPPLEMENTAL PAY. WAS IT FOR PAST SERVICES OR TO SUPPLEMENT THEIR GOVERNMENT SALARY?

2) WHAT CONVERSATIONS TOOK PLACE (AND BETWEEN WHOM) REGARDING THE DECISION TO GIVE SUPPLEMENTAL PAY? WHO FIRST SUGGESTED THE IDEA AND HOW DID IT DEVELOP FOR THESE INDIVIDUALS?

3) WAS THERE ANY AGREEMENT OR UNDERSTANDING, WRITTEN OR ORAL (FORMAL OR INFORMAL) ABOUT THEIR RETURN TO THE COMPANY UPON COMPLETION OF GOVERNMENT SERVICES? GET DETAILS AS TO WHO WAS PRESENT, WHEN, ETC., OR ANY DOCUMENTS.

4) WHAT WAS THE AGREEMENT WITH THE MEN WHEN THEY LEFT?

5) HOW WAS THE SUPPLEMENTAL PAY COMPUTED AND BY WHOM?

6) WHY WAS FOUR YEARS USED AS A BASED IN THE CALCULATIONS?

7) WHO MAKES THE DECISION AS TO WHO RECEIVES TERMINATION PAY AND HOW MUCH?

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PRECEDENCE:

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☐ Priority
☐ Routine

CLASSIFICATION:

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Date _____

PAGE FOUR AX 58-264 UNCLAS

8) WHAT TYPE OF AUTHORITY DO THEY NEED (DOES IT NEED TO BE APPROVED BY THE BOARD OF DIRECTORS)?

9) WHAT TYPE OF CONTRACT OR EMPLOYMENT AGREEMENT DID THESE PEOPLE HAVE WHEN THEY WERE HIRED?

10) WHAT IS BOEING'S POLICY ABOUT REHIRING THESE PEOPLE? ABOUT REHIRING RETIREES?

11) WHAT WERE THE SUBJECTS' DUTIES WHILE BOEING EMPLOYEES?

12) WHO IS DOING THEIR JOB NOW? ARE THEY TEMPORARY OR PERMANENT IN THOSE POSITIONS?

13) HAS BOEING MADE THESE TERMINATION PAYMENTS IN THE PAST? TO WHOM? HOW MUCH? WHERE ARE THEY NOW?

14) ARE THERE ANY DOCUMENTS CONCERNING THE TERMINATION PAY POLICY IN GENERAL? ANY DOCUMENTS ON THE THREE SUBJECTS? CAN WE HAVE COPIES OF ANY AND/OR ALL?

15) ARE THERE ANY OTHER FINANCIAL AGREEMENTS OR ARRANGEMENTS WITH THESE PEOPLE? ARE THEY CONSULTANTS FOR THEM?

16) ARE THERE ANY COMMON BUSINESS VENTURES BETWEEN THEM?

17) HAVE THEY HAD ANY DEALINGS WITH THESE PEOPLE OR BOEING BUSINESS SINCE THEY LEFT THE COMPANY? IF SO, WHERE, WHEN, WHY AND WHO WAS PRESENT?

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PRECEDENCE:

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☐ Priority
☐ Routine

CLASSIFICATION:

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Date _____

PAGE FIVE AX 58-264 UNCLAS

18) HAVE THEY HAD ANY CONTACT AT ALL WITH THESE PEOPLE SINCE
THEY LEFT BOEING? GET FULL DETAILS.

19) WHO DO THEY NORMALLY DEAL WITH IN THE GOVERNMENT?

20) WERE YOU INVOLVED IN ANY WAY IN OBTAINING GOVERNMENT
EMPLOYMENT FOR THESE MEN?

MAIL COPY FURNISHED BUREAU.

BT

Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

Transmit attached by Facsimile - UNCLAS

Precedence. Expedient

To: SAC, ALEXANDRIA 58-264

Date: 8-31-82

From: SAC, SCARVY/58-315

Time: Transmitted - 10:10 PM

Subject: THOMAS K. JONES, Deputy Under Secretary of Defense, et al
Initials: (DEC 15)
CONFLICT OF INTEREST - DOD☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph☐ Artists Conception☒ Other Being Internal Operating

Special handling instructions:

Procedure dated 5-12-82,
concerning "Terminal Pay
Associated with Acceptance of
Government Positions"Approved: [Signature]

FBI/DOJ

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58-264-13

SEARCHED <u>PAS</u>	INDEXED <u>2</u>
SERIALIZED <u>2</u>	FILED <u>2</u>
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FBI - ALEXANDRIA	
Pms	

Memorandum



To : SAC, ALEXANDRIA (58-264) (P)

Date 9/10/82

From : SA [redacted] b6
b7C

Subject : THOMAS K. JONES,
DEPUTY UNDER SECRETARY OF DEFENSE;
MELVIN R. PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
CONFLICT OF INTEREST - DOD
(00:AX)

Re Bureau airtel to Alexandria, dated 8/3/82.

Referenced Bureau airtel advised that the Defense Contract Audit Agency (DCAA) during a routine audit found that the above subjects received \$395,000 termination pay from Boeing Aerospace. According to Boeing documents, this sum was paid to the three former employees to reimburse them for:

1. Four years loss of salary because of difference between Boeing salary and government salary - \$258,000.
2. Forfeiture of company contributions into investment plans for 4 years - \$64,000.
3. Estimated difference between Government reimbursed and actual costs to relocate to Washington, D.C. - \$19,000.
4. Estimated differential and cost of living between Seattle and Washington, D.C., for 4 years - \$54,000.

Title 18, Section 209 of the U.S. Code prohibits any contribution to or supplementation of salary as compensation for services as an officer or employee of the executive branch of the United States Government. Title 18, Section 208 of the U.S. Code prohibits government employees from personally and substantially transacting official business with companies with which they, members of their families, business associates or prospective employees have a pecuniary interest. DOJ Attorney [redacted] advised that the major

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point that needs to be determined in the interviews, is the intent of the parties involved when the termination or supplemental pay was offered. If there was any indication or understanding, whether written or oral, that the subjects would return to employment at Boeing upon completion of government service, all details should be obtained.

On 9/13/82, simultaneous interviews will be conducted of the three subjects in Virginia and six Boeing employees in Seattle. The subjects are all employed at the Pentagon, however, the interviews are to be conducted at 7:00 p.m. at their homes. Agents assigned to interviews will work a 2:00 p.m. to 10:00 p.m. shift that day.

The subjects are:

1. Thomas K. Jones
Deputy Under Secretary of Defense
6903 Ridgedale Court
McLean, Virginia
2. Herbert A. Reynolds
Office of the Secretary of Defense
2301 S. Jefferson Davis Highway
Apartment 1004
Arlington, Virginia
3. Melvin R. Paisley
Assistant Secretary of the Navy
6516 Ridge Street
McLean, Virginia

It should be noted that Reynolds and Jones resigned from Boeing whereas Paisley retired from Boeing.

The following questions should be covered in the above interviews:

1. Did they receive any termination or supplemental pay from Boeing? How much? When did you receive it? How did you receive it?
2. Was it for past services or to supplement their government salary?
3. How did they become aware that they were going to receive this? Who told them? When? Was it oral or written?

4. What reason was given for getting this money?

5. Was there any agreement or understanding, written or oral (formal or informal) about their return to the company upon completion of government service? Get details as to who was present, when etc... or any documents.

6. How was the exact amount calculated? Did they receive any documents re this?

7. How did they get their current positions? Presidential appointees? Who recommended them? When did they leave Boeing?

8. What are their current duties?

9. Since they left Boeing have they been in contact with anyone from Boeing or their representative?

10. Have they participated in any policy making that it would affect Boeing? Get details?

11. Have they made any decisions that would affect a Boeing contract? Get details?

12. Do they have any notes re conversations with Boeing people? Desk calendars, appointment book etc. . .

13. Who is their administrative assistant? Secretary? Is there a telephone log kept in their office?

14. Where will they go when they leave government employment?

15. Do they have any other financial arrangements with Boeing? Joint ventures?

16. What were your communications with Boeing or involvement in matters concerning Boeing since termination?

17. Would you have taken the government position if you had not received supplemental pay?

18. Did you receive any counseling from anyone concerning Conflict of Interest matters in general or on this specific supplemental pay question?

19. Did you receive anything in writing concerning Conflict of Interest statutes? Did you read it?

FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 9/27/82

[redacted]
The Boeing Company, Seattle, Washington, was contacted at the Capital Hilton Coffee Shop, 16th and K Street, N.W., Washington, D.C. [redacted] was advised that the interview concerned his knowledge of termination pay paid to Thomas K. Jones, Melvin R. Paisley and Herbert A. Reynolds.

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[redacted] stated that he knew Jones and Paisley, however, he did not know Reynolds. [redacted] advised that he did not know they had left the company or that they received any compensation until the Defense Contract Audit Agency (DCAA) auditors asked him to find out what a \$395,000 charge was in one of their labor pools.

[redacted] stated that he is DCAA's liaison person so they do not have to fumble around trying to locate something. His job is to run down questions for DCAA. [redacted] advised that he had nothing to do with the decision to give these men any severance pay and was not aware of it until DCAA questioned the matter. [redacted] stated that he obtained initial documents concerning the severance pay and then DCAA obtained other documents and directed questions to people in the Corporate Compensation Office for Boeing.

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[redacted] could provide no further information on the company's termination pay plan.

Investigation on 9/14/82 at Washington, D.C. File # Alexandria 58-264-15
by SA [redacted] :trc [redacted] Date dictated 9/15/82

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/27/82

Melvyn R. Paisley, 6516 Ridge Road, McLean, Virginia, furnished the following information:

Paisley advised he received approximately \$180,000 as termination pay from Boeing Aerospace Company, during either the last week in September or the first week in October, 1980. Paisley believes he went to the Payroll Department and picked up a check for the full amount less 20 percent for taxes; however, he stated the check may have been sent directly to his bank. Paisley advised his retirement from Boeing was effective October 1, 1980. Paisley stated it was his impression that the entire amount was severance paid. He believes it is Boeing's policy to furnish severance pay to employees who leave Boeing to go to work for the United States Government, a State Government or teaching at a university.

Paisley became aware that he was to receive severance pay several months prior to his retirement. People in the Personnel Department orally furnished him several retirement options. Paisley believes the only reason he received this money was due to his retirement. He had the option of resigning and picking up his retirement at a later date or retiring at the present time. Paisley stated he chose to retire at that time. Paisley stated that he does not know how the amount was arrived at by Boeing. He believes it was derived from the bonus due him, accrued salary, earned annual leave and approximately 1,000 to 1,400 hours of unused sick leave. He also believes that his position at Boeing was taken into consideration. Paisley stated he has no documentation as to how the \$180,000 or amount was calculated.

Paisley has no understanding, either written or oral, about returning to Boeing's employ after termination of his government service. Paisley believes that this would be against Boeing's policy.

Investigation on 9/13/82 at McLean, Virginia File # Alexandria 58-264-1/p
by SA [redacted] JRL:trc 9/16/82
Date dictated 9/16/82

Paisley advised he talked to people about how much it would cost him to work for the government. He advised it took a lot of soul searching on his part before he decided to accept a position with the government. He had worked at Boeing for 28 years.

Paisley advised he is currently the Assistant Secretary of the Navy for Research, Engineering, and Systems. His current duties include the research and engineering for all new systems designated for the United States Navy.

Paisley stated he has been in contact at least on a monthly basis with representatives from Boeing. He believes that half of his job is talking to contractors and has talked with representatives of other companies as frequently as he has from Boeing. Paisley stated he has not participated in any policy making that would affect Boeing, nor has he made any decisions that would effect a Boeing contract.

Paisley advised there is a program that has been under study for approximately four or five years. A decision is about to be made, by him, to award the program to Boeing. He further stated that when solicitations for bids were sent out, Boeing was the only contractor who responded with a bid. Inasmuch as Boeing was the only person to respond to the bid, the contract will be negotiated by the Navy Contract Office.

Paisley advised he does not keep notes concerning any conversations he has with Boeing or any other contractors that drop by his office. He identified his Executive Assistant as Captain Robert Tolle, United States Navy. He identified his Secretary as Pat Shotta. Paisley believes there may be a telephone log maintained in his office, however, he does not know by whom. If anyone would know, he believes Captain Tolle would know.

Paisley advised he has not given much thought as to where he will go after his termination as a government employee. He advised he may try to stay in his present position inasmuch as there were several carry-over people from the prior administration.

Paisley stated he has no financial arrangements with Boeing other than his retirement. Paisley is currently drawing retirement from Boeing and additionally a second retirement, based on incentive compensation, from Boeing. After discussions with the Department of the Navy Legal Counsel, [] and the Comptroller at Boeing, [], it was decided to have the second retirement insured by someone other than Boeing. Otherwise, Boeing would have the option of cancelling the retirement at any time. Paisley stated that this second retirement is now guaranteed by the Aetna Insurance Company.

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Paisley stated if Boeing had refused to pay him the salary and bonuses due him, he would not have left.

Paisley received conflict of interest counseling from [] who had held a former high level position in the Treasury Department. [] told Paisley there was no legal problem whatsoever with his termination pay. The only concern expressed by anyone was that Paisley should not be paid by Boeing while he was working as a consultant for the government, awaiting Senate confirmation. Paisley advised he was shown copies of the conflict of interest statute by Navy Counsel [] and read them.

The following description was obtained by observation and interview:

Name:	Melvyn Robert Paisley
Address:	6516 Ridge Road McLean, Virginia
Date of Birth:	October 9, 1924
Place of Birth:	Portland, Oregon
Social Security Number:	540-24-8645
Race:	Caucasian
Sex:	Male
Wife:	[]
Children:	None
Current Position:	Assistant Secretary of the Navy, Executive Level Position
Home Telephone:	790-5986
Office Telephone:	695-6315

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/14/82

[redacted] The Boeing Company, was contacted at his office at The Boeing Company Corporate Headquarters, 7755 East Marginal Way South, Seattle, Washington by the interviewing agents who identified themselves as Special Agents of the FBI by display of their credentials.

[redacted] was advised that the interviewing Agents wanted to interview him concerning compensation paid by The Boeing Company to three former Boeing employees who left Boeing to accept positions with the U.S. Government, specifically, Thomas K. Jones, the Deputy Under Secretary of Defense; Melvin R. Paisley, Assistant Secretary of the Navy, and Herbert A. Reynolds, Office of the Secretary of Defense.

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[redacted] advised he personally approved the compensation paid to Melvin R. Paisley, noting that compensation was approximately two hundred thousand dollars.

[redacted] stated he recalls discussing with someone in the Personnel Section the compensation to be paid to Thomas K. Jones, however, he believes that compensation was probably approved by [redacted].

[redacted] advised he does not know Herbert A. Reynolds, and does not believe Reynolds worked very long for The Boeing Company. [redacted] stated the compensation for Reynolds would have been approved by someone in the Personnel Section of The Boeing Company using the formula that was utilized in arriving at the compensation paid to others as the precedent.

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[redacted] was asked if the termination pay given to the above three individuals was for past services or was to supplement their government salary and he responded that it was, "more of a compensation for the sacrifice that they were making," and, "to make them whole for a period of two, three or four years."

[redacted] stated he personally does not believe The Boeing Company should pay a salary differential, noting that he feels The Boeing Company paid too much in termination pay to Melvin Paisley. [redacted] stated The Boeing Company does encourage people to go into public service, and stated, "We are more concerned that they are getting people not as capable as they think they are."

Investigation on 9/13/82 at Seattle, Washington File # SE 58-315

by SAs [redacted] /HTB/sbk Date dictated 9/14/82

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[] advised that part of the termination pay concerns the forfeiture of company contributions to a "Forced Savings Plan" and a "Voluntary Investment Plan." [] stated in the Forced Savings Plan the employee can contribute up to eight percent of their salary and The Boeing Company matches this with up to four percent of the employee's salary. When an employee leaves The Boeing Company before retirement, they normally lose the portion contributed by The Boeing Company, however, when an individual leaves The Boeing Company to go into public service The Boeing Company gives them what is not vested in their forced savings plan and voluntary investment plan, hence, that money the company had contributed up to their termination date.

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[] advised The Boeing Company has paid termination pay for people that have left The Boeing Company to go into public service for as long as he can recall. He stated he does not know when this started, or how.

[] stated there is no agreement, written or oral, formal or informal, between the above individuals and The Boeing Company concerning their return to The Boeing Company upon completion of their current positions in Government.

[] advised that he would not expect Melvin Paisley to return to The Boeing Company, adding that, "I expect he'll have other opportunities when he's done."

[] stated he would like to have Thomas K. Jones back at The Boeing Company, however, added that he'll have to compete for Jones just as he would have to compete for any similar level prospective employee.

[] stated that if an individual leaves The Boeing Company to go into public service and then returns, The Boeing Company reinstates their retirement plan.

[] advised that there have been several individuals that he knows of who were paid termination pay when leaving The Boeing Company to go to work for the U.S. Government. Among these he noted the following:

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[] (phonetic) left The Boeing Company to take a position with the Department of Defense, possibly [] during the Ford administration and was paid termination pay at the time. Upon completion of his position [] attempted to hire him as head of Commercial Sales and [] stated he personally got involved because he wanted [] back and did succeed in rehiring him.

(First name unknown) [] who left The Boeing Company during either the Ford or Nixon administrations to take a position with the U.S. Government. [] stated that when [] left his position with the U.S. Government, he, [], offered [] a job with The Boeing Company at the same salary he earned prior to leaving and [] accepted the job, but subsequently left The Boeing Company approximately six months later to accept a position with McDonald Douglass.

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Another former Boeing employee, [] (phonetic) left The Boeing Company to take a position with the U.S. Government and was paid termination pay. [] upon completion of his position with the U.S. Government, took a position with NASA.

[] noted, "These people don't have any strings tied to them," and, "We take a risk in losing people."

[] advised there was no agreement between The Boeing Company and Thomas Jones, Melvin Paisley or Herbert Reynolds when they were paid termination pay upon leaving Boeing. [] stated he believes these men, upon receiving their termination pay, signed something which specifically states the termination pay is not an incentive to return to The Boeing Company.

[] advised the termination pay for the above three individuals would have been computed by either [] in Industrial & Public Relations, or [] in Corporate Compensation, although they might have delegated the computations to someone in their departments.

[] advised he has, "no idea" why four years was used in the calculations, however, speculated that since the individuals involved were recruited at the outset of the Reagan administration four years was used in the compilations since it would be the length of time these individuals would have been expected to remain in government service.

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It was noted that the compilation on one of the individuals was for three and a half years and [] stated he would feel this was because that individual was recruited six months after the others, and hence six months after the start of the Reagan administration.

[] stated that in the event these individuals were to continue in their positions with the U.S. Government beyond the current administration, The Boeing Company would not pay them anything. [] stated the termination pay given to these individuals is severance pay and they are due no more compensation from Boeing.

[] advised the Personnel Department of The Boeing Company makes the decision on who receives termination pay and how much. [] advised termination pay is given to individuals who are recruited away from The Boeing Company by the U.S. Government.

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[] advised that in view of the money figure involved he personally approved the termination pay given to Melvin Paisley. [] noted that Paisley actually argued for more terminal pay compensation, however, he [] believes the termination pay is too high and has directed the Personnel Department to revise the formula.

[] advised the termination pay for Jones and Reynolds would have been approved by someone in Personnel at Boeing inasmuch as there is a precedent for termination pay.

[] stated The Boeing Company does not have a contract or employment agreement with its employees normally, noting, "I don't have an employment contract." [] stated he feels quite certain The Boeing Company has no employment contract with any of the above three individuals. [] noted that The Boeing Company does have employment contracts with some employees of subsidiary companies and, on occasion, when they are trying to hire someone away from another company, might enter into an employment contract.

[] stated that the people who leave The Boeing Company to take positions with the U.S. Government are of a caliber that Boeing would like to rehire them. [] stated Boeing does attempt, normally, to rehire these people, but as noted above, "These people have no strings on them," and some are hired away by other companies.

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[] stated he is particularly interested in rehiring younger people, and might not pursue older individuals too vigorously.

[] advised that, while employed by The Boeing Company, Melvin Paisley who is an electrical engineer, was involved in International Activities with The Boeing Aerospace Company. [] stated Paisley has, "intuitive good sense about technical matters."

Thomas K. Jones is a "superb engineer" who worked as a Systems Analyst with The Boeing Aerospace Company.

[] advised he does not know Herbert Reynolds nor does he know what position Reynolds had with The Boeing Company.

[] advised Melvin Paisley is currently Assistant Secretary for Research and Development under (FNU) [] with the Secretary of the Navy's office.

Thomas K. Jones is under [] at the office of the Secretary of Defense, specifically handling "D.D.R. & E." in the Strategic Systems Office.

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The Boeing Company has made termination pay to individuals in the past and [] advised he would be willing to provide documents relative to this if these documents can be readily retrievable by the Personnel Department. This information can be obtained either through [] with the Corporate Compensation Office or through [] of the Industrial & Public Relations Office.

[] advised he does not believe there are any documents relating to The Boeing Company termination pay policy as such, however, said he has ordered his personnel people to develop a written policy, and this is currently in the process of being developed.

[] advised there are no financial agreements or arrangements between The Boeing Company and Paisley, Jones or Reynolds, and these individuals do not work as consultants for The Boeing Company. [] stated The Boeing Company rarely gets involved with hiring people on a consultant basis.

[] stated there are no common business ventures between The Boeing Company and these three individuals.

[] advised The Boeing Company, in paying termination pay to Paisley, Jones and Reynolds, severed all ties with them.

[] advised that he hesitates normally to make categorical "no's" to statements such as the above since The Boeing Company employs a large number of engineers and regularly purchases patent rights from engineers they employ, and in these cases, pays such engineers a type of royalty payment for the use of the patent even though the engineer might have left Boeing to go to work for another employer. [] stated he feels quite certain that no such relationship exists between The Boeing Company and Paisley or Jones.

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[] stated he saw Melvin Paisley and (FNU) [] at the air show in England several days ago, and they both attended a dinner party given by The Boeing Company at that event.

[] advised he has also contacted Paisley on several other occasions, once by telephone when he, [] presented an anti-submarine warfare proposal on behalf of The Boeing Company.

[] stated he does not recall any contacts with Jones since Jones left Boeing.

[] added, "Incidentally, if we were limited in talking to them we'd never recommend anyone," to those positions.

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[] stated he has many varied contacts with individuals in the U.S. Government, however, speaking specifically of the Department of Defense, he has spoken once to Casper Weinberger, the Secretary of Defense, and on two occasions personally and once telephonically to [] (phonetic), the Assistant to Weinberger. [] advised he has also contacted [] (phonetic) and several others at the Department of Defense, noting he contacts whoever is putting out contracts The Boeing Company has with the Department of Defense or whoever is handling bids on contracts The Boeing Company desires to bid for.

[] advised he was not involved in any way in obtaining Government employment for Paisley, Jones or Reynolds. He stated he believes all were recruited away from The Boeing Company by recruiters of the Reagan administration.

[] advised the cost of the termination pay given to Paisley, Jones and Reynolds was charged to the overhead of The Boeing Aerospace Company because all had been employed by the Aerospace Company.

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[] advised he believes the payment of termination pay to Paisley, Jones and Reynolds is legal and advised that he is relying on the opinion of [] who was Legal Counsel of The Boeing Company at the time for this opinion.

[] advised it is his belief all companies who have executives recruited away by the U.S. Government pay similar termination pay to them.

[] was asked what benefit The Boeing Company earned through payment of this terminal pay and he responded, "Absolutely none."

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/15/82

[redacted] - Contracts & General Counsel, The Boeing Company, Corporate Headquarters, 7755 East Marginal Way South, Seattle, Washington, was contacted at his office by the interviewing Agents who identified themselves as Special Agents of the Federal Bureau of Investigation by display of their credentials. [redacted] The Boeing Company, also sat in on the interview. [redacted] advised as follows:

[redacted] advised that he joined The Boeing Company in April 1981 and had been in private practice previously.

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[redacted] was advised that the interviewing Agents wished to interview him concerning a potential conflict of interest question regarding the payment of terminal pay to three former Boeing employees, specifically Melvin R. Paisley, Thomas K. Jones and Herbert A. Reynolds.

[redacted] was asked if the terminal pay to these three men was for past services or to supplement their government salary, and he responded, "I can't help you with the intent" of The Boeing Company in making terminal payments to these individuals.

[redacted] advised he could not say what conversations were held relative to the decision to pay the above three individuals' terminal pay. [redacted] similarly advised that, "I can't speak for these three individuals" concerning any agreement between them and The Boeing Company to return to The Boeing Company upon completion of their Government service.

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[redacted] advised that since joining The Boeing Company he has been very cautious of any situation which might be a conflict of interest. Beighle advised he feels The Boeing Company is, "frankly very cautious," and that, "We wouldn't have done it if we felt there was any impropriety."

[redacted] advised he knows of no agreement between The Boeing Company and the three men mentioned above, stating there was, "no understanding, implied, oral, or any other way" between The Boeing Company and these three individuals.

Investigation on 9/14/82 at Seattle, Washington File # SE 58-315by SAs [redacted] ^{RK} _{HFB/sbk} ^{b6} _{b7C} Date dictated 9/15/82

44-58-264-18

[] advised he does not know who compiled the terminal pay and how they compiled it. [] advised the procedure as he understands it is there is a management agreement on the amount of compensation to be given, and that amount normally is below that which is arrived at by their formula.

[] advised that he does not input upon the amount of compensation paid as terminal pay, and only reviews the terminal pay compensation for compliance with the conflict of interest and Government code of ethics standards.

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[] advised it is his opinion that the terminal pay given to these three individuals does not violate Title 18, U.S. Code, Section 209 in that the payments were made while these individuals were still employed by The Boeing Company and there are "no strings on the payment."

[] was asked what benefit there was to The Boeing Company in making these terminal payments and he responded, "a well run Department of Defense."

[] stated the terminal payments are an encouragement to go into Government service, and to help these individuals make the transition from private industry to Government service easier.

[] was asked if the payment of a salary differential and a cost of living allowance would not, in effect, be bypassing the authority of the U.S. Congress since these payments, which are reimbursed in large measure by the U.S. Government inasmuch as they were charged to the Boeing Aerospace Company overhead account, are in effect paying these individuals at a rate far in excess of the pay cap imposed by Congress. [] advised he never reviewed these terminal payments in that light and could not comment on this without reviewing them further.

[] advised he does not have any idea why four years were used in the terminal pay compilations, adding that he does not review the terminal pay compilations, but merely reviews the payments for compliance with the applicable legal statutes.

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[] stated that he believes the decision to pay terminal pay to these men was made by the President of The Boeing Aerospace Company, or someone on his staff. [] stated he does not know how the process got started, but added the first paperwork he saw came from the President of The Boeing Aerospace Company.

[] advised he does not know what authority is needed to make terminal payments, only that it is made by Boeing business personnel and his review is only for legal ramifications.

[] was advised what criteria he uses to approve or disapprove the terminal pay applications, and he advised he has no written criteria and his approval or disapproval is not a subjective judgment.

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[] stated there is no contract or employment agreement between The Boeing Company or any subsidiary and the above three individuals he is aware of.

[] stated, "I don't think there is any policy" at Boeing towards rehiring any of the above three individuals or anyone who should leave The Boeing Company to go to work for the Government. He stated it is his belief that, "They would be in the same position as anyone else looking for a position."

[] stated he does not know the specific duties of the above individuals at Boeing, other than they were all affiliated with The Boeing Aerospace Company, and all were middle or upper middle management with none being at the Vice President level. [] advised of the three he only knew Paisley. [] stated he does not know what position any of these three individuals now holds with the U.S. Government.

[] advised he has no idea who now holds the positions these three individuals had with The Boeing Aerospace Company, adding there has been some reorganization within The Boeing Company and perhaps their former positions no longer exist as such.

[] advised he has "no idea" if Boeing has made termination pay to people in similar positions in the past. [] stated there is no documents he knows of relating to termination pay, and no formal policy on the matter, although Boeing is currently working on developing a formal policy in this area.

[] stated there are no financial agreements or arrangements between The Boeing Company and these three individuals that he is aware of, nor are there any common business ventures.

[] stated he met Melvin Paisley at the Forrestal Dinner in Washington, D.C. subsequent to Paisley's departure from Boeing, however, has never had any business dealing with him. He noted he has never met Jones or Reynolds.

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[] stated he has contacts with a number of top level procurement policy people with the Department of Defense, Department of the Navy and Department of the Air Force.

[] stated he was not involved in any way in obtaining government employment for Paisley, Jones or Reynolds.

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[] advised that Paisley took an early retirement from Boeing and, therefore, receives retirement benefits from The Boeing Company retirement plans. At the time Paisley left to go to work for the Government, [] Assistant General Counsel of the Navy, questioned the propriety of [] receipt of benefits from The Boeing Company Executive Retirement Plan since that plan is not fully funded and since Paisley's ability to continue to draw benefits depended on the continued financial health of The Boeing Company. [] felt this created in his mind a potential conflict of interest.

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[] stated to cure this potential conflict of interest, The Boeing Company, through the Aetna Insurance Company, had Paisley's retirement benefits through The Boeing Company Executive Retirement Plan insured so that he will continue to receive the benefits due him even should The Boeing Company fail.

[] further advised that when an individual retires from The Boeing Company, they sign an agreement they will not take subsequent employment with any other company. [] stated The Boeing Company, also to avoid creating a possible conflict of interest situation, gave Paisley a complete release so that he is entirely unfettered.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/16/82

[redacted] The Boeing Company, Corporate Headquarters, 7755 East Marginal Way South, Seattle, Washington, was contacted at the office of [redacted] - Contracts and General Counsel, The Boeing Company, by the interviewing Agents who identified themselves as Special Agents of the Federal Bureau of Investigation by display of their credentials. [redacted] asked if he could sit in on an interview of [redacted] stating that he had participated in the process by which Termination pay was approved by The Boeing Company to be paid to Melvin R. Paisley, Thomas K. Jones and Herbert A. Reynolds. [redacted] did sit in on the interview of [redacted] and during that interview volunteered the following:

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[redacted] advised it is his understanding that The Boeing Company paid termination payments in the past, however, he could not say for how long.

[redacted] advised that Melvin Paisley is retired from The Boeing Company, and, therefore, receives ongoing retirement benefits from Boeing. [redacted] advised the Department of the Navy raised the question of conflict of interest relative to Paisley receiving retirement benefits from Boeing from a retirement plan which is not fully funded, hence, Paisley's ability to continue to receive benefits was tied to the continued profitability of Boeing. [redacted] advised that Boeing, to cure this concern, purchased insurance from the Aetna Insurance Company which would guarantee Paisley's retirement regardless of Boeing's future financial prospects.

[redacted] further advised he reviewed the termination payments made to the above three individuals with regard to Title 18, U.S. Code, Section 209, and it is his opinion these payments do not violate that statute since the payments were made while the individuals involved were still employees of Boeing and, further, that there are "no strings attached" to the payment.

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[redacted] further advised he reviewed the termination payments in light of the Ethics in Government Act and feels there is no conflict here in that the payments were fully disclosed to the respective Government agencies prior to the above three individuals taking their current positions.

Investigation on 9/14/82 at Seattle, Washington File # SE 58-315by SAS [redacted] RKC [redacted] HFB/sbk Date dictated 9/16/82b6
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AX-58-264-19

[] stated his review of the termination pay given these individuals did not include reviewing how the compilation of the sums paid was arrived at.

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b7C [] stated he frankly never considered the question of whether these terminal payments violated congressional intent in placing a pay cap upon the salary of government employees by charging this cost to the overhead account of The Boeing Aerospace Company which is paid in large part by the U.S. Government through various contracts The Boeing Aerospace Company works on.

[] advised Paisley, Jones and Reynolds were all mid-level management members of The Boeing Aerospace Company, none being at the Vice President level. He advised he does not know their current positions and has never had occasion to contact any of these three individuals.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/17/82

[redacted]
Contracts & International Business, Boeing Commercial Airplane Company, was contacted at his office in Building 1060, Boeing Renton Plant, Renton, Washington, by the interviewing Agents who identified themselves as Special Agents of the Federal Bureau of Investigation by a display of their credentials. [redacted] was advised that the interviewing agents wanted to interview him concerning terminal payments given to Thomas K. Jones; Melvin R. Paisley and Herbert A. Reynolds, for employees of The Boeing Company, inasmuch as such payments might constitute a violation of federal conflict of interest statutes.

[redacted] advised he served as General Counsel of The Boeing Company from December 1976 to September 1981, and in that capacity, recalls dealing with the termination payment given to Melvin Paisley, on an advisory basis, however, has no specific recollection concerning the termination payments given to Jones or Reynolds.

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[redacted] advised he formerly served as General Counsel of the U.S. Treasury Department, and after leaving that position, joined The Boeing Company in 1976. [redacted] stated that prior to serving as General Counsel of the U.S. Treasury Department, he had a private law practice and, therefore, has never himself received termination pay such as was paid to Paisley, Jones and Reynolds.

[redacted] stated while serving as General Counsel of the U.S. Treasury Department, he reviewed disclosure statements of Presidential appointment types and it was his experience that such Presidential appointees coming into Government from private industry all had received termination pay from their past employer. [redacted] stated that such termination pay, from his experience at the U.S. Treasury Department, ranges from six months to 36 months salary for the individual involved, with the salary considered to be that earned by the individual in private industry, not that salary earned in Government.

Investigation on 9/14/82 at Renton, Washington File # SE 58-315-17

SAs [redacted] RKC b6
by [redacted] HFB/sbk b7C Date dictated 9/15/82

AX-58-264-20

[] stated the termination pay is "clearly compensation for past services" on the part of employee departing Boeing to enter Government service. [] advised that The Boeing Company pays this money to employees terminating their employment to enter Government service to "encourage Boeing employees" to enter Government service and alleviate some of the financial hardship they face in performing such service.

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[] stated the formula used by The Boeing Company in calculating termination pay is not a strict formula as such, but rather a "convenient way of deciding what is an appropriate severance pay for someone who is leaving Boeing to go into Government service." [] stated there is "no intent" on behalf of The Boeing Company to supplement the pay of a public official.

[] advised he recalls being consulted concerning the termination pay given to Paisley, not on the basis of how much termination pay Paisley was being given, but rather, to insure there were no potential areas of conflict of interest involved with Paisley's termination.

[] stated the primary problem he recalls had to do with a possible conflict of interest involving the fact Paisley, who took an early retirement from Boeing, would be receiving pension benefits from a Boeing pension fund which was not fully funded. This caused the Department of the Navy General Counsel to speculate on a possible conflict of interest in that Paisley's ability to continue to receive his pension benefits depended on Boeing continuing to be a financially viable company. [] stated he considered this to be "nonsense" and, "stretching a bit far," however, Boeing cured this problem by purchasing an indemnity bond from an insurance company to guarantee Paisley's receipt of his pension benefits.

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[] stated the termination pay given Paisley was fully disclosed to the Department of the Navy by The Boeing Company prior to Paisley accepting the position with the U.S. Navy, to his belief.

[] advised Paisley and Jones were both employees of The Boeing Aerospace Company, however, he does not know what job titles they held. He noted neither were at the Vice President level with Boeing. [] stated Reynolds is unknown to him.

[] stated that prior to T. K. Jones' departure from Boeing he had a discussion with Jones over a concern he, [] had over what might be construed as a conflict of interest. [] advised this concerned the fact Jones' wife, noting they were newly married, was employed by Boeing Computer Services. [] advised Jones to have his wife disassociate herself with Boeing Computer Services, however, added he had no idea if she actually did do so.

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[] stated he does not know the positions Paisley or Jones hold with the Government, however, does know Paisley holds a high level position with the office of the Secretary of the Navy and Jones holds a high level position with the Defense Department.

[] stated he has had no contact with T. K. Jones since Jones left Boeing. He did meet Paisley at the London Air Show this past week, noting Paisley came to the Boeing Chalet at the Air Show. [] stated he believes that has been the only contact he has had with Paisley.

[] stated he does not feel there is a conflict of interest issue in the payment of termination pay to Paisley, Jones or Reynolds in that the payments were, "truly a severance pay," were made while they were still in the employ of The Boeing Company, and there is no agreement of any type to rehire these individuals at any time and Boeing further has "no obligation to hire them back."

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[] stated the fact Paisley retired from Boeing is proof of the fact Paisley will never return to Boeing and that Boeing has no ties to him.

[] stated the termination pay cannot be regarded as supplementing the pay of these three individuals as public servants so long as the payment is not conditioned on what job they obtained. He further stated the fact there is no requirement between these individuals and The Boeing Company that they remain in Government service for a specified period of time is good evidence that the compensation given them is not for future services.

[] advised he has never focused on the question of the charging of the termination pay to the overhead account of The Boeing Aerospace Company which is refunded in large measure by U.S. Government contracts, thus causing the government to reimburse these costs, possibly thereby violating congressional intent by giving these individuals remuneration in excess of the federal pay cap imposed by Congress.

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b7C [] stated that was certainly not the intent of
The Boeing Company, but rather Boeing was intending to encourage
qualified people to accept public service.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/17/82

[redacted] The Boeing Company, Corporate Headquarters, 7755 East Marginal Way South, Seattle, Washington, was contacted at his office by the interviewing Agents who identified themselves to him as Special Agents of the Federal Bureau of Investigation by display of their credentials. [redacted] was advised that the contacting Agents desired to interview him concerning the matter of terminal payments made to T. K. Jones, Melvin Paisley and Herbert Reynolds.

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[redacted] advised he was aware of the purpose of the interview, and had available his files on Jones, Paisley and Reynolds.

[redacted] advised The Boeing Company has been paying terminal pay to individuals leaving The Boeing Company to enter Government service since 1962. [redacted] provided a three-page list of individuals who have been paid terminal pay by The Boeing Company to accept government employment, which list begins with a Richard A. Montgomery, who left Boeing effective March 1962. The list contains 22 individuals, which number includes Paisley, Jones and Reynolds. A copy of this listing is attached hereto.

[redacted] stated the payment of terminal pay is "not to complement their Government salary certainly," but rather in his mind a patriotic gesture in that he "feels it is in the public interest to make competent people available for Government service."

[redacted] advised he did not personally participate in any conversations concerning the payment of terminal pay to Paisley, Jones or Reynolds. He advised that, of those three individuals, the initiation of the process involving the payment of terminal pay to Paisley was the first instituted. In regards to Paisley there were discussions between Mark Miller, a Boeing Aerospace Company Vice President who reports to Henry K. "Bud" Hebel, President of Boeing Aerospace Company; "Bud" Hebel; Clyde Skeen, a Senior Vice President of The Boeing Company to whom "Bud" Hebel normally reports; [redacted] - Industrial and Public Relations and [redacted] then General Counsel of The Boeing Company. There is no indication in [redacted] records indicating which of the above individuals initiated the payment of terminal pay to Paisley.

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[redacted] advised his files show the formal initiation of the process in which terminal pay was authorized for T. K. Jones was instituted by "Bud" Hebel by letter to Clyde Skeen. [redacted] provided a copy of this letter, which is attached hereto.

Investigation on 9/16/82 at Seattle, Washington File # SE 58-315
by SAs [redacted] HFB/sbk [redacted] Date dictated 9/16/82

AX-58-264-21

[] also provided a copy of a draft of a termination agreement which Hebeler was to furnish to Jones on providing him with his termination pay indicating that payment constitutes the only payment or compensation payable to Jones by The Boeing Company as a result of and following termination of his employment with The Boeing Company, which draft is also attached hereto.

[] advised his files show that "Bud" Hebeler also initiated the process involving the payment of termination pay to Herbert Reynolds, also involving a letter from Hebeler to Skeen. A copy of this letter is attached hereto. Also enclosed is a letter by Reynolds setting forth economic considerations he wanted The Boeing Company to address in reaching a sum of termination pay due him as well as an initial calculation formula involving termination pay concerning Reynolds.

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[] advised that Paisley had initially asked for a sum of \$647,200.00 as termination pay, and The Boeing Company had significant objections to this request. [] provided a document setting forth the termination pay sums sought by Paisley, which are identified under a column headed "MRP Value" and the sums The Boeing Company thought reasonable, which are identified under a column headed, "our value." This document, which also sets forth the reason why The Boeing Company felt "our value" to be appropriate, is attached.

[] advised the actual sum of money paid to Paisley as termination pay was \$183,000, which sum less twenty percent withholding, was given to Paisley on his termination from Boeing.

[] advised that [] Chief Executive Officer of The Boeing Company, in the latter part of 1981, directed that The Boeing Company formalize a procedure by which termination pay is paid. As a result of that directive by [] a procedure was drawn up and, by memo dated June 17, 1982, from Stan Little, was furnished to the members of the Executive Council for review and comment. This memo and the attached Internal Operating Procedure relating to termination payments are attached hereto.

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[] advised there was no agreement between The Boeing Company and the above three individuals upon their termination from Boeing; however, there is an internal letter within Boeing concerning each of these individuals which states that should they seek to be employed by The Boeing Company again in the future, Boeing would waive the requirement that employees work for one year prior to being eligible for vacation benefits; that their sick leave accruals not used will be restored and that Boeing would waive the waiting period required of new employees prior to being eligible for retirement benefits. [] stated that, with the exception of these benefits, these three individuals would be treated just like any other new employee were they to be rehired in the future by Boeing.

[] added that Paisley actually took an early retirement from The Boeing Company, and, therefore, [] feels it is highly unlikely that Paisley would return to work at Boeing in the future.

[] added the benefits to these individuals should they return to the employ of The Boeing Company, would only be of value to them should they return.

[] advised the termination pay computations were initiated by the computation staff of The Boeing Aerospace Company, then reviewed, and perhaps adjusted by [] and/or []. [] advised that normally Little reviewed the termination payments, however, he [] has also, less frequently, been involved. The termination payments are also reviewed by [] General Counsel, for legal ramifications, but not concerning computations, and then presented to [] to obtain his concurrence.

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[] stated either he or [] normally [] would present these matters to [] noting [] authority is necessary to make these payments.

[] advised there is no contract or employment agreement between The Boeing Company and the three individuals noted above, nor is there any agreement to rehire them should they apply for Boeing employment in the future.

[] stated there is no Boeing policy concerning rehiring people such as Paisley, Jones or Reynolds as such, however, he added that, "These are very desirable people" and that Boeing "would consider them with the talents they have in light of the company situation at the time" they applied to be rehired, should they choose to do so.

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[] stated that while employed by the Boeing Aerospace Company, Paisley held the title of International Sales Manager; Jones held the title of Requirements and Strategic Planning Manager and Reynolds held the title of Specialist-New Business. [] noted their job titles might be misleading inasmuch as many people at The Boeing Aerospace Company are involved in classified work, which is not reflected by their job titles. [] stated Reynolds was in an engineering organization which worked on classified programs.

[] stated he does not know who currently holds the positions vacated by Paisley, Jones and Reynolds, adding that he could possibly determine this with a little research. He added that possibly the positions held by these individuals no longer exist due to reorganizations.

[] stated that Paisley, Jones and Reynolds were middle level management and did not hold positions which would be shown on a table of organization-type structure.

[] stated he does not feel Reynolds' position exists today. [] added that Jones was a specialist in strategic-type planning; civil defense, and survival and possibly his position also no longer exists.

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[] stated that with the exception of the retirement benefits being paid to Paisley, there are no financial ties or arrangements between The Boeing Company and Paisley, Jones or Reynolds.

[] stated his only reservation relative to the above statement would be that perhaps one or more of the three might have been responsible for obtaining a patent which The Boeing Company utilizes and, if so, would receive some royalty income. [] stated he does not believe this to be the case with these three individuals, however.

[] stated he has never had any direct contact with Paisley, Jones or Reynolds either while they were employed by The Boeing Aerospace Company or since their termination with the exception of one telephone call he received from Paisley prior to his leaving Boeing inquiring as to "where we stood on obtaining [] approval" of termination pay to him.

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[] advised the only Government agency he has contact with is the Bureau of Labor Statistics, and that he serves as a member of a citizens' advisory commission with that organization and meets with them three times a year at Washington, D.C.

FEDERAL BUREAU OF INVESTIGATION

9/28/82

Date of transcription

[redacted]
[redacted] The Boeing Company, 7755 E. Marginal Way South, Seattle, Washington, was contacted at his office by the interviewing agents who identified themselves to him as Special Agents of the Federal Bureau of Investigation by display of their credentials. [redacted] was advised that the contacting agents desired to interview him concerning the matter of terminal payments made to T. K. Jones, Melvin Paisley and Herbert Reynolds. [redacted] advised as follows:

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[redacted] advised that he recalled his role in dealing with the termination pay given to the above mentioned individuals was to do most of the math on the compilation of terminal pay.

[redacted] advised that the purpose of termination pay is twofold; first being to make it financially possible for our better people to favorably consider government service. As it is, the government paycap discourages competent people to accept high level jobs; secondly, to make government employment more attractive. [redacted] stated he does not regard terminal pay as a supplement to government pay but rather recognition of past service.

[redacted] advised that in all three cases conversation regarding termination pay were initiated by Henry K. "Bud" Hebeler, President of The Boeing Aerospace Company. [redacted] recalled he believes in these cases each of the individuals submitted memos which set forth what they feel they should receive by way of termination pay. These figures were reviewed and a final settlement negotiated. As in the case of Melvin R. Paisley, The Boeing Company objected to a number of the economic considerations Paisley was requesting. [redacted] stated that Paisley's wife, [redacted] was employed by Boeing Computer Services and that Paisley considered it a financial hardship that [redacted] Paisley would have to terminate her position with The Boeing Company.

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[redacted] stated that the Boeing Company disallowed Paisley's request for compensation for this portion of the claim, citing that [redacted] could find other employment in view of her skills.

Investigation on 9/17/82 at Seattle, Washington File # SE 58-315

by SA [redacted]

SCL/sbk

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Date dictated

9/20/82

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

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FBI/DOJ

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[] advised there was no formal agreement, written or oral, between The Boeing Company and the three individuals noted above upon their termination from The Boeing Company. [] further stated that there is no agreement to rehire them should they apply for Boeing employment in the future.

[] stated that the termination pay computations were done by himself and other members of the Benefits staff at Boeing which is all part of the financial organization of The Boeing Company.

[] stated that the compilations for terminal pay were computed on a four-year basis because that is the term of the Reagan administration.

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Final authority for termination pay is made by [] [] Chief Executive Officer of The Boeing Company.

[] advised there is no contract or employee agreement between The Boeing Company and the three individuals noted above, nor is there any agreement to rehire should they apply for Boeing employment in the future.

[] stated there is no Boeing policy concerning hiring people such as Paisley, Jones or Reynolds and that their ability to be rehired would depend upon the situation of the Boeing Company at the time.

[] advised he does not recall the exact titles that Paisley, Jones and Reynolds held while at The Boeing Company, other than they were all in upper middle level management with none being at the Vice President level.

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[] further advised he does not know who now holds the positions these three individuals had with The Boeing Aerospace Company.

The Boeing Company has made termination pay to individuals in the past over the last 20 years. [] stated that he has only been in his current position since April 1981 and that the above mentioned individuals were his first involvement with termination pay.

[] advised he does not believe there are any formal documents relating to The Boeing Company's termination pay policy as such, however, he further stated it is his understanding that officials of The Boeing Company are debating the question of formalizing a policy regarding termination pay.

[] stated that with the exception of retirement benefits being paid to Melvin Paisley, there are no other financial agreements or arrangements or ties with the above mentioned individuals. [] added nor are these individuals consultants for The Boeing Company.

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[] stated there are no common business ventures between The Boeing Company and these three individuals.

[] stated that he does not recall any dealings or contacts with Jones, Reynolds or Paisley since they left The Boeing Company.

[] stated he does not normally deal with any government agency or persons employed by the federal government.

[] stated he was not involved in any way with obtaining government employment for Paisley, Jones or Reynolds.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/30/82b6
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[redacted]
[redacted] The Boeing Company, was interviewed at Boeing Corporate Headquarters located at 7700 East Marginal Way, Seattle, Washington. [redacted] was advised of the official identities of the interviewing agents by display of credentials and that the interview would concern, in general terms, termination payments made to Boeing employees resigning to accept U.S. Government positions and, specifically, the following former employees:

1. Thomas K. Jones, Deputy Under Secretary of Defense;
2. Melvin R. Paisley, Assistant Secretary of the Navy;
3. Herbert A. Reynolds, Office of the Secretary of Defense.

[redacted] furnished the following information:

[redacted] advised that at 2:00 p.m. this date he had arrived in Seattle from a nonstop transcontinental flight from England. Consequently, he had been at home resting when he was contacted by the FBI. Upon learning of the FBI's desire to interview him, he had driven to the Boeing Corporate Headquarters in order to meet SAs [redacted] and [redacted] in the Security Department.

Regarding termination payments to certain employees accepting government positions, Boeing's intent is to reduce the financial hardship suffered by these employees in accepting substantially lower salaries. [redacted] advised he believes that Boeing has made termination payments for the past 15 to 20 years. Recently, however, Boeing has started to make formalized guidelines for this program. Previously the termination payments were more of an established practice than an actual company policy.

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[redacted] explained that in addition to losing substantially higher salaries, resigning Boeing employees also lose an excellent investment program. The amount of the monetary loss is then considered by the office of Corporate Compensation in computing the termination payment. [redacted] stated this program allows good people to enter U.S. Government service from The Boeing

Investigation on 9/13/82 at Seattle, Washington File # SE 58-315

by SAs [redacted] /sbk Date dictated 9/20/82

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Company. [] also advised he believes this termination payment program is not unique to Boeing, but may be an industry practice.

When any Boeing employee resigns for U.S. Government employment, whether or not a termination payment has been made, the break in employment is clean with absolutely no commitments towards either party. In fact, the termination payments use a base of 4 years since that is the length of each Presidential administration and generally, although some former employees may continue in government service, after four years most would move on to something else.

In the termination pay guidelines presently being refined four years will not be used as a general base period for computations but rather the remaining term of the Administration when the governmental candidates resign from Boeing.

Boeing does not actively try to place their employees with U.S. Government agencies. Usually Boeing will learn individual employees are being considered for U.S. Government employment when the individual himself so advises his Boeing supervisors. At times, however, Boeing has received inquiries from U.S. Government agencies indicating their interest in specific Boeing employees under consideration for employment.

Once an employee has decided to accept employment with the government Robert Benson, Director of Corporation Compensation, or one of his staff members will compute the amount of termination payment to be considered. The computation considers the employee's current salary, plus incentive pay, minus U.S. Government salary for the remaining term of the administration. To this number is added the amount of Boeing Company contributions to the various investment programs being forfeited by the employee, any relocation expenses not paid by the government, and a cost of living factor for the differential in Washington, D.C. and the current assigned location of the Boeing employee.

Once this computation has been made, it is reviewed by []

[] and then the President of the specific Boeing Company employing the governmental candidate, i.e. The Boeing Aerospace Company, or Boeing Commercial Sales Co., etc. Once the President of the specific Boeing Company has reviewed and approved the calculation it is forwarded to the [] for his approval.

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[] advised that these calculations may or may not be forwarded to Mr. Stamper, President of Boeing Corporation. [] stated he does not remember if Mr. Stamper ever reviewed any of the termination payments.

Specifically, regarding Jones, Paisley and Reynolds, [] advised he did not have any conversations with Jones pertaining to his termination pay. [] advised he did speak with Paisley on two occasions prior to Paisley's departure. As best as he can recall, Paisley had already roughly computed himself the amount of termination pay he felt he should receive. Little advised he does not know Reynolds and did not discuss with Reynolds his termination pay.

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[] advised all three of the above persons would have had one or more discussions with the office of Corporate Compensation.

[] advised there are no agreements, formal or informal, with any of these three men about their return to Boeing. Boeing does not expect that these men will return to Boeing after termination of their Government service. In fact, even when these men were active Boeing employees there were no employment agreements on contracts with them as Boeing does not hire based on contracts, etc.

Boeing has, in the past, rehired former employees who resigned to work for the U.S. Government. Therefore, should these three men reapply for employment with Boeing at some future date, they would be considered but not necessarily hired.

[] advised he did not know the exact positions at Boeing which had been occupied by the three men in question. [] explained that during normal working hours he would be readily able to determine precise job descriptions and would be pleased to do so at a later date. [] added that none of the three were high corporate officials. In fact, [] advised he knows of no Boeing corporate officer who has ever left Boeing for government service.

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[] advised that without the opportunity to review company records he would not be able to determine if the positions vacated by these men had been filled or their responsibilities consolidated into other existing positions. Nonetheless, whatever their responsibilities had been, these duties would currently be performed by full-time permanent employees.

[] advised that without reference to company records, he would venture a guess that over the past 15 - 20 years Boeing has made termination payments to approximately 15 individuals. [] added this number could be very inaccurate. To his knowledge the documents pertaining to termination payments made in the past could be obtained from the Office of Corporate Compensation. [] stated he had no objection to making these documents available for review by the Federal Bureau of Investigation and did not foresee any problem with providing copies of these documents to the FBI.

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b7C

To the best of his knowledge [] knew of no agreements, financial arrangements or business ventures that these three men had with either Boeing or Boeing officials. Neither are they used or viewed as Boeing consultants.

[] advised he has not had any business dealings with these men since they left Boeing, and to his knowledge neither has the Boeing Company.

[] advised that approximately two weeks ago he observed Thomas Jones in the lunchroom at Boeing, but he did not speak with him.

Last week while in attendance at the Biannual Air Show in Farnborough, England, [] stated he saw and spoke with Melvin Paisley.

[] stated that other than these two instances he has had no contact with the three men in question since they departed The Boeing Company.

[] stated that most of his dealings with the U.S. Government are limited to the U.S. Department of Labor, however, he does not know [] personally.

b6
b7C

[] advised he has never tried to secure employment with the U.S. Government for any Boeing employee.

Relying on memory, [] furnished the names of the following former Boeing Company employees who left to obtain employment with the U.S. Government:

b6
b7C

[] left Boeing for NASA (Apollo Project), then later returned to Boeing and then resigned from Boeing again.

b6
b7C

[] resigned Boeing for a position with the Department of Defense as Deputy Assistant Secretary of Defense. He has since returned to Boeing and is currently a vice president in Commercial Sales.

[] resigned Boeing to work in the personnel section of the Department of Defense. When [] left Boeing his salary was less than the salary he was to receive with the Department of Defense; consequently, he did not receive any termination pay.

[] advised it has been his experience that individuals attracted to governmental service at a much lower salary level are generally persons of high ideals and he would expect they would disqualify themselves from any decisions pertaining to business dealings with former employers. In the case of Boeing, the company definitely does not call on former employees currently in government service for favors.

[] advised he does not consider the Boeing Company termination plan attractive when viewed in terms of tangibles and intangibles sacrificed by Boeing employees to enter government service.

[] furnished his office telephone as [] and his home telephone number []

[] advised Boeing's intent is not to create any conflict of interest between Boeing and its former employees. b6
b7C

Boeing has been careful to respect U.S. Government guidelines about hiring retirees from the U.S. Government so as not to create any conflict of interest.

[] advised he desired to cooperate fully with the Federal Bureau of Investigation in any way he could.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 9/29/82

TO: ALEXANDRIA (58-264)
 FROM: *RW* SAC, SEATTLE (58-315) (RUC)
 THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE;
 MELVIN R. PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE
 CONFLICT OF INTEREST - DOD
 OO: AX

Re Alexandria tel to Seattle dated 9/7/82.

Enclosed for Alexandria are the following:

1. Original and two copies of FD 302 of interview of [redacted] on 9/13/82 and r/d notes regarding that interview.
2. Original and two copies of FD 302 of interview of [redacted] on 9/14/82 and r/d notes re that interview.
3. Original and two copies of FD 302 of interview of [redacted] on 9/14/82 and r/d notes re that interview.
4. Original and two copies of FD 302 of [redacted] on 9/14/82. (Note r/d notes of this interview are attached to notes of [redacted] interview.)
5. Original and two copies of FD 302 of [redacted] on 9/16/82 and r/d notes re this interview.

② - Alexandria (Enc. 27)
 1 - Seattle
 HFB/sbk
 (3)

b6
 b7C

58-264-24

SEARCHED	INDEXED
SERIALIZED	FILED
OCT 1 1982	
FBI - SEATTLE	
PMS	

Approved: _____

Transmitted _____
(Number)

(Time)

SE 58-315

6. One copy of a paper entitled, "Buy-out comparison" setting forth comparison of termination payment to [redacted] (listed under a column headed "TKJ") and Melvin R. Paisley (listed under a column headed "MRP," with individuals to whom The Boeing Company has made termination payments in the past. This document was provided by [redacted]
[redacted].

7. One copy of a letter dated 10/23/81 from [redacted]
[redacted] to [redacted]
Department of the Navy, concerning potential conflict of interest issue involving Paisley retirement. This letter was provided by [redacted].

8. Two copies of FD 302 of [redacted]
on 9/13/82 and r/d notes re that interview.

b6
b7C

9. Two copies of FD 302 of [redacted]
on 9/17/82 and r/d notes re that interview.

Seattle will forward original FD 302s of interviews
of [redacted] and [redacted] by r/s.

FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 10/19/82

[redacted] Defense Contract Audit Agency (DCAA), Kent, Washington, was telephonically contacted and was advised that the interview concerned his audit of Boeing Aerospace.

[redacted] advised that when [redacted] advised him of the severance pay in one of the overhead pools, he contacted [redacted] at Boeings Space Center in Kent, about the severance pay question. [redacted] stated that he was told that the Chairman of the Board, [redacted], made the decision on who would receive severance pay. [redacted] apparently made the decision based on recommendations of [redacted] Director of Corporate Compensation, and [redacted] Assistant Corporate Comptroller. [redacted] advised that he received an internal operating memo from Boeing dated May 12, 1982, describing their termination pay plan. This was provided at DCAA's request, and was prepared especially for them.

b6
b7C

[redacted] stated that it was his understanding that Melvin R. Paisley had retired from Boeing, whereas T.K. Jones and Herbert A. Reynolds had resigned. [redacted] advised that [redacted] was Boeing's Corporate Comptroller for the company.

Investigation on 8/19/82 at Alexandria, Virginia File # Alexandria
58-264 58-264-26
 by SA [redacted] plw b6 b7C Date dictated 9/24/82

FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 10/19/82

[redacted] Defense Contract Audit Agency (DCAA), Kent, Washington, was telephonically contacted and was advised that the interview concerned his audit of Boeing Aerospace.

b6
b7C

[redacted] advised that Boeing has numerous government contracts, many of which allow for overhead costs. Because of this, DCAA evaluates Boeing's overhead rate on new jobs on a monthly basis. [redacted] stated that in either Januray or February of 1982, while doing his routine audit, he found that the labor rate had jumped dramatically. He reviewed the figures and found that there was a \$395,000 figure in one of the pools with no labor hours accompanying it, thereby driving up the labor hour rate. [redacted] stated that he wrote up an "action item," which asks Boeing for an explanation. [redacted] advised that he was told that it was severence pay for 3 employees, T.K. Jones, Melvyn R. Paisley, and Herbert A. Reynolds, who had left Boeing to accept positions with the government. [redacted] stated that he was told that the decision to allow the termination pay was made at Boeing's Corporate Headquarters in Seattle, Washington. [redacted] advised that he referred the matter to his supervisor, [redacted] and DCAA's Seattle office to handle the matter.

Investigation on 8/19/82 at Alexandria, Virginia File # Alexandria
58-264-27
by SA [redacted] ^{DWS} plw b6
b7C Date dictated 8/24/82

UNITED STATES GOVERNMENT

Memorandum

TO : SAC, ALEXANDRIA (58-264)

DATE: 10/19/82

FROM : SAC, SEATTLE (58-315) (RUC)

☒ RUC

SUBJECT: Thomas K. Jones, Deputy Undersecretary
of Defense; Melvin R. Paisley,
Assistant Secretary of the Navy;
Herbert A. Reynolds, Office of the
Secretary of Defense ☐ File Destruction Program

Enclosed are 1 items.

These items are forwarded your office since:

☐ All logical investigation completed in this Division☒ You were OO at the time our case was RUC'd.

Enclosures are described as follows:

b6
b7COriginal 302 re 9/17/82b6
b7C

Enc. 1

NOTE: DO NOT BLOCK STAMP ORIGINAL ENCLOSURES.

58-264-28

SEARCHED	INDEXED
SERIALIZED	FILED
OCT 23 1982	
FBI - ALEXANDRIA	

gr 1813

X Airtel

10/18/82

TO: DIRECTOR, FEI

FROM: SAC, ALEXANDRIA (58-264) (P)

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN R. PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE
CONFLICT OF INTEREST - DOD
OO:AX

Re Bureau airtel to Alexandria, 8/3/82; and Alexandria teletype to Seattle, 9/7/82.

Enclosed for the Bureau are the original and two copies of an self-explanatory LHM. Enclosed for Seattle are two copies of instant LHM.

2-Bureau (Enc 3)
1-Seattle (58-315) (Info) (Enc. 2)
①-Alexandria

PMS:srt
(4)

1*

58-264-30

UNITED STATES GOVERNMENT

Memorandum

TO : SAC, ALEXANDRIA (58-264)

DATE: 11/4/82

FROM : SAC, SEATTLE (58-315) (RUC)

☒ RUC

SUBJECT: Thomas K. Jones, Deputy Undersecretary File Destruction Program
of Defense; Melvin R. Paisley,
Assistant Secretary of the Navy;

Enclosed are 1 items.

These items are forwarded your office since:

☐ All logical investigation completed in this Division☒ You were OO at the time our case was RUC'd.

b6

b7C

Enclosures are described as follows:

Original 302 re 9/13/82b6
b7C

58-264-32

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 12 1982	
NDRIA	

W/enc

Enc. 1

NOTE: DO NOT BLOCK STAMP ORIGINAL ENCLOSURES.

x Airtel

11/16/82

TO: DIRECTOR, FBI
FROM: *shy/gw* SAC, ALEXANDRIA (58-264) (P)

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN R. PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE
COI-DOD
(OO: AX)

Re Alexandria teletype to Seattle, 9/7/82.

For information of the Bureau, subject Paisley is a Presidential appointee, and subjects Jones and Reynolds are political appointees of Casper Weinberger, Secretary of Defense. A special inquiry was done by the Bureau on Paisley. It is not known if any background investigation was conducted on Jones or Reynolds. Melvyn Robert Paisley was born on 10/9/24 at Portland, Oregon, and has SSAN 540-24-8645. Herbert Albert Reynolds was born on [] at [] and has SSAN [] Thomas K. Jones was born on [] and no further information was available.

b6
b7C

REQUEST OF THE BUREAU

The Bureau is requested to furnish Alexandria with a copy of any background investigation conducted on the three captioned subjects.

2-Bureau
①-Alexandria
PMS:plw
(3) *plw*

1*

58-264-34

[Signature]

x Airtel

11/5/82

TO: SAC, SEATTLE (58-315)
FROM: SAC, ALEXANDRIA (58-264) (P)

THOMAS K. JONES
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN R. PAISLEY
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE
COI-DOD
(OO: AX)

Re Seattle airtel to Alexandria, 9/29/82, and
Alexandria teletype to Seattle, 9/7/82.

For information Seattle, DOJ Attorney []
[] was highly complimentary of the interviews
conducted by the Seattle Division, and the documents
obtained by same. [] after reviewing the documents
obtained, stated that he felt there has been a violation
of Title 18, Sections 208 and 209 USC. [] requested
that Mark Miller, Henry K. "Bud" Hebeler and Clyde Skeen
be interviewed concerning their knowledge of events.

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Prior to asking any questions, [] advised
that the individuals should be asked if they are repre-
sented by counsel. If so, they should be asked who and
if they want them present during the interview. For

2-Seattle
②-Alexandria
PMS:plw
(4) plw

58-264-35
SEARCHED INDEXED
SERIALIZED FILED
NOV 11 1982
FBI - SEATTLE

AX 58-264

information Seattle, the Boeing Company has retained counsel, however, they have not indicated to date that they also represent officials of the company.

LEADS:

SEATTLE DIVISION

AT SEATTLE, WASHINGTON

Will interview Henry K. "Bud" Hebeler, President of Boeing Aerospace Company regarding his participation in discussions of terminal pay made to Paisley, Jones or Reynolds. Hebeler should also be questioned regarding a memo he wrote dated 5/1/81 to Clyde Skeen which is attached to the FD-302 of [REDACTED] Questions in referenced Alexandria teletype should also be asked.

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b7C

Will interview Clyde Skeen, Senior Vice-President of the Boeing Company, concerning his participation in discussions of terminal pay and his receipt of Hebeler's memo. Questions in referenced Alexandria teletype should also be asked.

Will interview Mark Miller, Vice-President of Boeing Aerospace Company, regarding his participation in discussions of terminal pay with Hebeler and other company employees. Questions in referenced Alexandria teletype should also be asked.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 12/14/82

TO: SAC, ALEXANDRIA (58-264)

FROM: SAC, SEATTLE (58-315) (P)

THOMAS K. JONES,
 DEPUTY UNDERSECRETARY OF DEFENSE;
 MELVIN R. PAISLEY,
 ASSISTANT SECRETARY OF THE NAVY;
 HERBERT A. REYNOLDS,
 OFFICE OF THE SECRETARY OF DEFENSE
 COI - DOD
 OO: Alexandria

Re Alexandria airtel to Seattle 11/5/82.

Enclosed for Alexandria are the original and two copies of FD 302 interview of [redacted] dated 12/6/82. Also enclosed for Alexandria are two copies of a letter from H. K. Hebler, President of Boeing Aerospace Company to C. E. Skeen, Senior Vice President of The Boeing Company captioned, "Termination Agreement Between The Boeing Company and Harold Kitson, Jr." This letter was provided by [redacted] DCAA, on 12/10/82. [redacted] noted the notes on page two of this letter were written by [redacted].

For information of Alexandria, SAC Seattle, and Seattle case agent, SA [redacted] met 11/17/82 with USA [redacted] Western District of Washington concerning captioned matter to brief USA [redacted] regarding this case. USA [redacted] advised he would like to know what account The Boeing Company charged the severance pay to the three captioned subjects to, and to determine if the account charged was appropriate, as well as determine if there was any attempt to disguise the expenditure.

On 12/2/82, USA [redacted] was recontacted and he advised he had discussed this matter with Department of Justice Attorney [redacted] particularly as concerns the above, and that he (USA [redacted]) told [redacted] not to decline the matter if there is any venue in Seattle without first consulting him.

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b7C

② - Alexandria (Enc. 5)

2 - Seattle

Approved: HFB/sbk (4)

Transmitted (Number)

(Time)

U.S. GOVERNMENT PRINT

Per

ALEXANDRIA
895

58-264-37

USA [] requested that, if possible, documents relating to the payment of the severance pay to the captioned three subjects be requested of The Boeing Company so that a detailed tracing of how the money was paid can be performed.

It was noted that [] of DCAA at the Boeing Aerospace Company (BAC) advised the severance pay was charged to the BAC overhead account relating to employee labor costs, and that no separate account is maintained for severance pay.

On 12/8/82, [] The Boeing Company, was contacted and was requested to arrange interviews with Henry K. "Bud" Hebel, President of BAC; Mark Miller, Vice-President of BAC; [] Director of Finance of BAC, and Clyde Skeen, Senior Vice President of The Boeing Company.

On 12/9/82, [] The Boeing Company, advised that Douglas Beighle, Vice President and Legal Counsel of The Boeing Company told him that he, Beighle, would handle setting up the requested interviews and that he, Beighle or [] would sit in on each interview.

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Subsequently, on 12/9/82, [] advised that he is an attorney in the Washington, D.C. office of the law firm of Perkins, Cole, Stone, Olson and Williams, 1325 4th Avenue, Seattle, Washington and stated that he has been retained by The Boeing Company concerning captioned matter.

[] advised his telephone number is [] and stated he had been told by DOJ Attorney Marshall Jarrett that he, [] would be advised prior to the FBI conducting further interviews on this case.

[] advised that he would fly out to Seattle to personally be present at any interviews conducted.

[] was asked if he represented both The Boeing Company and the individual officers of The Boeing Company. He responded that he does have a problem with this, in that he represents The Boeing Company, not the individual officers, but wanted to ensure the individual officers each had private counsel before being interviewed on this matter by the FBI.

SE 58-315

On 12/10/82, [] DCAA, BAC, advised he has uncovered two additional severance payments made by The Boeing Company to former employees of the BAC who left to accept positions with the U.S. Government. [] advised the severance pay given these two individuals was charged to account 2-8-001, as were the severance payments made to the captioned three individuals.

[] advised \$40,000 was paid in severance pay to Lawrence H. Crandon by check dated February 24, 1982. Crandon left the BAC to accept a position with the Department of Defense assigned to the North Atlantic Treaty Organization concerning the AWACS system. Crandon is assigned to Brussels, Belgium.

b6
b7C

[] advised \$50,000 in severance pay was given to Harold Kitson, Jr. by check dated July 27, 1982. Kitson left BAC to accept a position with the U.S. Government as Deputy Assistant Secretary of the Navy for Command Control Communications and Intelligence. There was an indication relative to Kitson that BAC considered this a 3-year "assignment."

[] advised he is now requesting the BAC to furnish documentation of the above expenditures.

LEADS

ALEXANDRIA

AT ALEXANDRIA, VIRGINIA: Alexandria is requested to advise Department of Justice Attorney [] of the above in order to:

1) Reach some agreement with [] to facilitate the interview of additional Boeing employees or proceed by Federal Grand Jury.

2) Determine if this investigation should be expanded to include Harold Kitson, Jr. and Lawrence H. Crandon.

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b7C

SEATTLE

AT KENT, WASHINGTON: Will maintain contact with [] DCAA, BAC and obtain from him documentation provided by the BAC concerning severance payments to Kitson and Crandon.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/16/821

[redacted] Defense Contract Audit Agency, Boeing Aerospace Company, was contacted at his office, Bay Number 10 A 13, Building 1828, 20403 - 68th South, Kent, Washington, and advised as follows:

One of the employees of the office of the Defense Contract Audit Agency (DCAA), while reviewing information furnished by the Boeing Aerospace Company (BAC), was working with labor rate figures and attempting to forecast trends and escalations on Boeing Aerospace Company employee wages. During this review the employee noted large dollar sums with no hours worked shown to explain why this money was expended. [redacted] provided a sheet which shows the BAC labor report for the year ending 12/31/81, page number 2706, with an expenditure of \$183,000; \$80,000 and \$132,000, for a total expenditure of \$395,000 with no hours worked shown. These expenditures represent severance pay given to Melvin R. Paisley, Herbert A. Reynolds and Thomas K. Jones.

b6
b7C

[redacted] noted the expenditures were noted on monthly printouts rather than the annual accounting, of which the attached page 2706 is a part.

This money was charged to BAC account number 2-8-001, an overhead account containing salaries and wages. [redacted] noted there is no normal category to charge severance pay to and someone in the BAC would have decided to charge these expenditures to account number 2-8-001.

[redacted] advised that the DCAA at BAC reports to [redacted] the Principal Administrative Contracting Officer who, in turn, reports to the Air Force Plant representative at the BAC.

[redacted] advised that the BAC and the Air Force Plant representative have reached agreement on the BAC overhead accounts through the year ending 12/31/78.

Investigation on 12/6/82 at Kent, Washington File # SE 58-315

by SA [redacted] sbk b6
b7C

Date dictated 12/16/82

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

58-264-38

INDEXED	FILED
SERIALIZED	FILED
FBI - ALEXANDRIA	

FBI/DOJ

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/5/82

[redacted] Deputy Counsel for the Commandant of the Marine Corps, 1300 Wilson Boulevard, Room 668, Arlington, Virginia, was contacted at his place of employment and was advised that the interview concerned his dealings with Melvin R. Paisley, Assistant Secretary of the Navy. Present during the interview were Department of Justice (DOJ) Attorneys [redacted] and [redacted].

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b7C

[redacted] advised that from July of 1978 to June of 1982, he was the Assistant General Counsel of the Navy for Ethics and Standards of Conduct. [redacted] stated that he met with each presidential appointee for the Navy in the Reagan Administration. Duffy advised that there were five presidential appointees for this administration. [redacted] stated that he discussed conflict of interest laws, employment restrictions, and financial disclosure. [redacted] stated that each presidential appointee received a packet of information from the White House.

[redacted] advised that he met with Paisley five times before he was sworn in in December of 1981. One time he accompanied him to a meeting with the counselor to the President, and one time to a meeting with the counselor for the Senate Armed Services Committee. [redacted] stated that he discussed Conflict of Interest laws with Paisley including Title 18, Sections 201 through 209, U. S. Code. He also provided Paisley with a memorandum on Title 18, Section 207. [redacted] advised that he also discussed post employment restrictions and filling out the financial disclosure forms. [redacted] stated that he helped Paisley prepare a letter to Senator John Tower of Texas dated November 12, 1981, which contained a statement of his assets and liabilities.

[redacted] stated that he reviewed Paisley's financial disclosure statement with him and Paisley never mentioned any termination pay he received from Boeing. [redacted] advised that Paisley had listed \$180,000 as compensation from Boeing. [redacted] stated that he did not question the amount and just assumed it was for salary and past services. [redacted] advised that Paisley did not tell him what that figure represented or how it was calculated. [redacted] stated that the second line concerning compensation for services from Boeing was left blank as that was his wife's compensation which does not have to be disclosed. [redacted] advised that Paisley was covered by Boeing on a Supplemental Retirement Plan which amount

b6
b7C

Investigation on 11/5/82 at Arlington, Virginia File # AX 58-264 - 39
by SA [redacted] IAT [redacted] Date dictated 11/5/82

P18

AX 58-264

depended on Boeing profits. Boeing's retirement plan also restricted Paisley from working for a competitor. [] stated that Boeing went to Aetna, an independent insurance company, and insured Paisley's pension from the Company's Incentive Compensation Plan. Boeing also released Paisley from the employment restriction clause. [] advised that he received a letter from [] dated September 3, 1981, advising him of Paisley's insured pension and his release from employment restrictions.

[] stated that Paisley never mentioned any termination agreement he had made with Boeing other than his retirement pension. [] advised that due to his many conversations on Conflict of Interest and the problem they encountered with Paisley's pension, he would certainly have thought that Paisley would have disclosed a termination payment from Boeing, had there been one. [] stated that to the best of his recollection there is something in the packet provided the appointee's by the White House about large severance payments.

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b7C

SUBPOENA TO TESTIFY BEFORE GRAND JURY

U.S. v. John Doe No. 541
Grand Jury No. 82-3

United States District Court
FOR THE

EASTERN DISTRICT OF VIRGINIA - Alexandria

b3

to



You are hereby commanded to appear in the United States District Court for the Eastern
District of Virginia at 200 S. Washington Street in the city of
Alexandria on the 12th day of January 19 83 at 9:30 o'clock A.M. to
testify before the Grand Jury and bring with you¹

SEE ATTACHMENT

This subpoena is issued on application of the United States.

[Redacted] Attorney, Department

of Justice [Redacted]

[Redacted] Asst. U.S. Attorney

b6

b7C

701 Prince Street
Alexandria, VA 22314

Date December 28, 19 82

By



Clerk.

Deputy Clerk.

¹Strike the words "and bring with you" unless the subpoena is to require the production of documents, tangible things, in which case the documents and things should be designated in the blank space provided for that purpose.

RETURN

Received this subpoena at
and on

at

on

within named

by delivering a copy to
allowed by law

and tendering² to

the fee for one day's attendance and the mileage

I served it on the

58-264-48
J J

X AIRTEL

12/29/82

TO: SAC, SEATTLE
FROM: SAC, ALEXANDRIA (58-264) (P)

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN R. PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE
COI-DOD
OO:AX

Enclosed for Seattle is the original and one copy of a Federal Grand Jury subpoena for service at The Boeing Company. It is noted the return date is 1/12/83.

LEAD:

SEATTLE

AT SEATTLE, WASHINGTON. Will serve enclosed subpoena on appropriate person at The Boeing Company.

2-Seattle (Enc. 2)

✓ Alexandria

JRL:llv

(4)

b6
b7C



PMS

58-264-489
SEARCHED _____ INDEXED _____
SERIALIZED _____ FILED _____

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/20/82

Gerald Cann, Principal Deputy Assistant Secretary of the Navy for Research Engineering Systems, Room 4E471, the Pentagon, Arlington, Virginia, was contacted at his place of employment, and was advised that the interview concerned his dealings with Melvyn R. Paisley.

Cann advised that in May of 1981, John Lehman, Secretary of the Navy, came to him and told him about Paisley. Cann stated that Lehman told him he knew Paisley well and thought he would be right for the job. Cann offered him the position. Cann advised that he did not know what type of arrangement Paisley had with Boeing Aerospace when he left their employment, however, he was aware that Paisley retired and he divested himself of all interests he had in Boeing.

Cann stated that as Assistant Secretary of the Navy for Research Engineering Systems, Paisley oversees the entire research and development of Engineering Systems. Paisley's section is responsible for processing between seven and fifteen billion dollars worth of equipment and services a year. Cann advised that the actual evaluation of contracts is made by someone under the Chief of Naval Material. The chief of Naval Material then makes his recommendation as to who should be awarded the contract. Cann stated that the recommendation goes to Paisley who either approves or disapproves the recommendation. Cann advised that this is a formality and that the decision of the Chief of Naval Material is usually final. In theory, Paisley could reject their decision, however, Cann stated that there would have to be clear justification for doing so, and that it has only been done once since he has been there and that was before Paisley. Cann advised that if Paisley tried to influence the awarding of a contract, it would be suspect.

Cann stated that their office is considering awarding a contract to Boeing for an ECX System. Cann advised that the contract could be worth \$1 billion. Cann stated that they requested bids for the contract, but Boeing was the only bidder. Lockheed expressed an interest in the project, however, they wanted to change the specifications on the project. Cann advised that Paisley could either approve the contract with Boeing, as is, or ask for some changes. Cann stated that the actual decisions would be made by the Chief of Naval Material and then approved by Paisley.

Investigation on 10/14/82 at Arlington, Virginia Alexandria, 58-264

by SA [redacted] PMS:mbe Date dictated DEC 20 1982 18/82

58-264-60

SEARCHED INDEXED
SERIALIZED FILED

DEC 20 1982

NDRIA
your agency: [redacted]

Cann advised that Paisley's decisions are very broad in nature. Paisley could, in effect, make a decision to reduce or expand the scope of a project which if Boeing had a contract to provide some service for the project, they could be affected. Cann stated that Paisley has an open door policy and many contractors take advantage of that by coming in and discussing contracts that are ongoing and upcoming. Cann advised that Paisley would probably contact a contractor if there was a problem with a contract, but Cann could not think of any other reason Paisley would contact a contractor.

Cann stated that Paisley has disqualified himself from making any decisions concerning CSC where his wife is employed and since the Federal Bureau of Investigation has questioned his relationship with Boeing, he has excluded himself from making any decisions concerning Boeing until the matter is resolved.

Cann advised that he is sure Paisley received counseling on Conflict of Interest matters, however, was unable to recall the individual who would have done this.

FEDERAL BUREAU OF INVESTIGATION

b6
b7C1Date of transcription 1/8/83

[redacted] General Counsel, Department of Defense, Room 480, Crystal Plaza 5, Arlington, Virginia, was contacted at his place of employment and was advised that the interview concerned his dealings with Melvyn R. Paisley.

[redacted] advised that [redacted] handled all the arrangements with Paisley; however, he had Paisley's file which he provided to the interviewing agent for review.

Included in the file was a memorandum from Paisley dated December 3, 1981, that disqualified himself from acting on matters involving the Boeing Company and Puget Sound Power and Light Company until he had divested himself of any interests he had in those companies. There was also a memorandum dated February 17, 1982, from Paisley advising that with the exception of his retirement benefits he had completely divested himself of all interest in the Boeing Company.

[redacted] provided copies of the following documents:

b6
b7C

1) A memorandum for the General Counsel dated September 21, 1981, signed by [redacted]

2) A memorandum for Mr. Melvyn R. Paisley dated April 2, 1982, signed by [redacted]

3) A General Discussion paper entitled "Conflicts of Interest - Presidential Appointees."

Investigation on 12/7/82 at Arlington, Virginia

Alexandria 58-264 - 52

by SA [redacted] /dte [redacted] b6
b7C

Date dictated 12/10/82

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 10 1983	
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P/113	

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

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b7C

FBI

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☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

1/11/83
 Date _____

FM ALEXANDRIA (58-264)

TO SEATTLE (58-315) ROUTINE

BT

UNCLAS

THOMAS K. JONES, ET AL; COI, (OO:AX)

RE ALEXANDRIA AIRTEL TO SEATTLE DECEMBER 29, 1982.

ON JANUARY 10, 1983, DOJ ATTORNEY [REDACTED] ADVISED THAT HE MET WITH THE LOCAL ATTORNEYS REPRESENTING BOEING AEROSPACE, CONCERNING THE FEDERAL GRAND JURY SUBPOENA SEATTLE SERVED ON BOEING RETURNABLE IN ALEXANDRIA ON JANUARY 12, 1983. [REDACTED] STATED THAT HE GRANTED BOEING A DELAY FOR PRODUCTION OF RECORDS. BOEING WILL PROVIDE SEATTLE BUREAU AGENTS WITH SOME OF THE DOCUMENTS JANUARY 18, 1983, WITH FINAL DELIVERY BEING POSTPONED UNTIL FEBRUARY, EXACT DATE NOT NAMED. SEATTLE IS REQUESTED TO MAKE ARRANGEMENTS WITH BOEING OFFICIALS FOR PRODUCTION OF DOCUMENTS BY JANUARY 18, 1983.

BT

1 Alexandria
 PMS:blw
 (1)

58-264-54
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 SERIALIZED *MT* FILED *MT*

b6
 b7C

Approved: _____

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(Number)

(Time)

Per _____

FBI

TRANSMIT VIA:

☒ Teletype☐ Facsimile☐ _____

PRECEDENCE:

☐ Immediate☐ Priority☒ Routine

CLASSIFICATION:

☐ TOP SECRET☐ SECRET☐ CONFIDENTIAL☐ UNCLAS E F T O☒ UNCLASDate 1/12/83*see p. 2 for
ch.g.*

FM ALEXANDRIA (58-264) (P)

TO DIRECTOR ROUTINE *720
P*

BT

UNCLAS

THOMAS K. JONES, ET AL; CONFLICT OF INTEREST, (OO:ALEXANDRIA)

RE ALEXANDRIA AIRTEL TO DIRECTOR DATED OCTOBER 18, 1982;

AND BUREAU TELEPHONE CALL FROM SUPERVISOR [REDACTED]

TO

SA [REDACTED] DATED JANUARY 11, 1983.

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FOR INFORMATION OF THE BUREAU, IN SEPTEMBER OF 1982, ALL THREE SUBJECTS WERE INTERVIEWED. EACH INDICATED THAT THEY WERE NOT AWARE OF THE EXACT MAKE UP OF TERMINATION PAYMENTS BUT ASSUMED THEY WERE FOR VESTED INTERESTS IN COMPANY INVESTMENT PROGRAMS, UNUSED SICK AND ANNUAL LEAVE AND ACCRUED SALARY. EACH INDICATED THAT THERE WAS NO UNDERSTANDING EITHER WRITTEN OR ORAL ABOUT RETURNING TO BOEING AFTER TERMINATION OF GOVERNMENT SERVICE. INTERVIEWS AT BOEING IN SEATTLE, WASHINGTON, SO FAR HAVE INDICATED THAT PROVIDING TERMINATION PAY IS AN ACCEPTABLE BUSINESS PRACTICE.

*58-264-55*SEARCHED _____ INDEXED _____
SERIALIZED *1/12/83* FILED *1/12/83*

1 Alexandria
PMS:sfk
(1) *sfk*

Approved: _____

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(Number)

(Time)

Per AKB

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO AX 58-264 UNCLAS

[REDACTED] BOEING CORPORATE DIRECTOR OF COMPENSATION, *President of Boeing Aerospace Corporation* INDICATED THAT HENRY K. HEBELER INITIATED THE PROCESS IN WHICH TERMINAL PAY WAS AUTHORIZED FOR JONES AND REYNOLDS. [REDACTED] ADVISED THAT HEBELER MAY HAVE INITIATED THE TERMINAL PAY FOR PAISLEY ALSO. [REDACTED] VOLUNTARILY TURNED OVER BOEING DOCUMENTS CONCERNING THE TERMINATION PAY. ONE DOCUMENT IS A MEMO DATED MAY 1, 1981, FROM HEBELER TO CLYDE SKEEN, SENIOR VICE PRESIDENT OF THE BOEING COMPANY, WHICH TALKED OF THE POTENTIAL BENEFIT TO BOEING WHEN JONES RETURNED TO BOEING WHEN HIS ASSIGNMENT IS COMPLETED. THE MEMO GOES ON TO STATE "NEEDLESS TO SAY, HAVING SOMEONE WITH HIS VIEWS WILL BE HELPFUL TO US WHILE HE IS IN WASHINGTON, D.C.". ALSO INCLUDED IN THE DOCUMENTS WAS AN UNDATED LETTER FROM REYNOLDS INDICATING THE ECONOMIC CONSIDERATIONS IN TAKING A GOVERNMENT POSITION WHICH HE LISTS AS CLOSE TO \$200,000 THAT HE WANTS TO BE CONSIDERED IN HIS TERMINATION PAYMENT IN HIS LIST HE SHOWS THE DIFFERENCE IN BOEING AND GOVERNMENT SALARY, COST OF GOVERNMENT INSURANCE AS COMPARED TO BOEING INSURANCE, COST OF RENTING AN APARTMENT, VIRGINIA STATE INCOME TAX AND THE LOSS OF HIS BOEING INVESTMENT PLAN. [REDACTED] ALSO STATES IN HIS LETTER THAT HE "WILL HAVE DIRECT PROGRAM

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Approved: _____

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(Time)

Per _____

FBI

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☐ Teletype
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☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE THREE AX 58-264 UNCLAS

RESPONSIBILITY FOR ALL THOSE MILITARY SPACE AND INTELLIGENCE SYSTEMS WHICH ARE OF MAJOR INTEREST TO BAC". PAISLEY ALSO SUBMITTED A LIST OF THINGS HE SHOULD BE REIMBURSED FOR TOTALLING \$647,200. PAISLEY ASKED FOR LOSS IN VALUE OF RETIREMENT BENEFITS, CLOSING COSTS FOR A DISTRICT OF COLUMBIA HOME, TRANSPORTATION FOR FAMILY TO WASHINGTON, D.C., TEMPORARY HOUSING, INCREASED STATE TAXES, DIFFERENCE IN WAGES, LIFE INSURANCE, ET CETERA.

BUREAU AGENTS IN SEATTLE ARE CURRENTLY MAKING ARRANGEMENTS TO INTERVIEW HEBELER, SKEEN AND MARK MILLER, VICE PRESIDENT OF BOEING AEROSPACE. BOEING WAS ALSO SERVED WITH A SUBPOENA TO PRODUCE DOCUMENTS ON [REDACTED] WAS RETURNABLE JANUARY 12, 1983. DOJ ATTORNEY [REDACTED] GRANTED BOEING A DELAY UNTIL JANUARY 18, 1983, AT WHICH TIME THEY WILL PROVIDE PART OF THE RECORDS, WITH FINAL DELIVERY BEING POSTPONED UNTIL FEBRUARY, EXACT DATE NOT NAMED. DEFENSE CONTRACT AUDIT AGENCY (DCAA) HAS ALSO TURNED UP INFORMATION THAT TWO MORE INDIVIDUALS, NOW GOVERNMENT EMPLOYEES, LAWRENCE H. CRANDON AND HAROLD KITSON, RECEIVED \$40,000 AND \$50,000, RESPECTIVELY, IN TERMINATION PAY FROM BOEING. DOJ ATTORNEY [REDACTED] IS CONSIDERING EXPANDING THE INVESTIGATION TO INCLUDE THESE TWO INDIVIDUALS.

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Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

Memorandum



To : SAC (58-264) (P)

Date 2/2/83

From : SA [REDACTED]

b6
b7C

Subject : Thomas K. Jones,
E + A1
COI-DOD
(OO:AX)

This is to record that
DOJ attorney [REDACTED]
has been furnished copies of all
FD 302's on captioned matter. These
302's were hand carried by the
writer and were given to [REDACTED]
at various meetings held throughout the
investigative period.

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b7C

58-264-56

SEARCHED	INDEXED
SERIALIZED	FILED
2	
[Signature]	

FEDERAL BUREAU OF INVESTIGATION

b6
b7C

Date of transcription 1/19/83

[redacted] Boeing Aerospace Company (BAC), was contacted at the office of [redacted] Senior Corporate Counsel, The Boeing Company, by the interviewing agents who identified themselves as Special Agents of the Federal Bureau of Investigation by display of their credentials. Nomer was advised the interviewing agents were conducting an investigation on a possible conflict of interest situation concerning the payment by The Boeing Company of termination pay to three former BAC employees who left BAC to assume positions within the U.S. Government, specifically Thomas K. Jones, Melvin R. Paisley and Herbert A. Reynolds.

[redacted] Senior Corporate Counsel, The Boeing Company, sat in on the interview.

[redacted] advised he has been [redacted] of the BAC since 1976.

[redacted] stated termination pay given to T. K. Jones, Melvin Paisley and Herbert A. Reynolds was done during 1981. [redacted] stated T. K. Jones held a marketing-type function at the BAC, and added that after T. K. Jones left the BAC to take a position with the U.S. Government, he [redacted], does not believe anyone took Jones' position at BAC, noting he does not believe Jones' former position with the BAC exists any longer.

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b7C

[redacted] advised Melvin Paisley also held a marketing-type function at the BAC prior to leaving to accept a position with the U.S. Government. [redacted] stated he does not know who was Paisley's successor in his position with the BAC.

[redacted] stated he does not know Herbert A. Reynolds nor what position he held at the BAC.

[redacted] stated he has only seen T. K. Jones once since Jones left the BAC and that was, "quite a while ago" when Jones visited the BAC. [redacted] stated he did not have occasion to talk with Jones at that time.

[redacted] advised he has not seen or had any contact with Melvin Paisley since Paisley left the BAC.

Investigation on 1/19/83 at Seattle, Washington

SAs

[redacted]

HFB/sbk

b6
b7C

Date dictated

File # SE 58-315 4-577

SEARCHED	INDEXED
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b6
b7C

[] stated he did not participate in the decision to give termination pay to T. K. Jones, Melvin Paisley or Herbert Reynolds. [] advised normally the Industrial Relations - Compensation Department determines what payments are to be made and directs the Payroll - Seattle Services Division to make the payment. The Payroll - Seattle Services Division would contact the Finance Office to determine what account to charge.

[] stated he recalls being contacted during 1981 by his Accounting Manager concerning where to charge a termination payment. [] stated he told his Accounting Manager to put the charge into the "G & A" Account, which is the General Administrative Overhead Cost Account. This Accounting Manager asked [] if he, [], thought it was proper to put the termination pay charge in the G & A Account, to which [] replied, "that's what we did before. As far as I know I think that's right. So far as I know that's what we did."

[] stated he did not know if the BAC Finance Office has a separate account for Termination Pay or if they maintain a separate Journal Voucher for such expenditures.

[] stated there is a numerical designation for the G & A account, but he does not recall what that numerical designation is.

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b7C

[] stated the BAC does have a standard operating manual setting forth specifically what expenses are appropriate in each specific account, but does not know if termination payments as such are specifically addressed.

[] was asked if he could provide a copy of the BAC manual setting forth the appropriate expenditures to charge to the General Administrative Overhead Cost Account. Frederic Dorkin stated they would require a Federal Grand Jury subpoena prior to producing the above. [] was asked if the requested document could be more explicitly identified and he advised that the "General Administrative Cost Account" is the manner he refers to the account the termination payments were charged to.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 2/2/83

TO: SAC, ALEXANDRIA (58-264)
 FROM: SAC, SEATTLE (58-315) (P)
 THOMAS K. JONES,
 ET AL;
 COI - DOD
 OO: ALEXANDRIA

Re Alexandria airtel to Seattle, dated December 29, 1982.

Enclosed for Alexandria is the original executed subpoena to be served on [redacted] and the original and one copy of an FD-302 reflecting service of the above mentioned subpoena on [redacted] on January 4, 1983.

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2 - Alexandria (Enc. 3)
 2 - Seattle
 RLF:lah
 (4)

b6
 b7C

58-264-59
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 SERIALIZED FILED

FEB 11 1983

FBI - ALEXANDRIA

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 2/2/83

On January 4, 1983, Special Agent [redacted]
served a subpoena on [redacted]
[redacted]

The Federal Grand Jury Subpoena was issued to [redacted]
[redacted]
[redacted]

be produced
in the Eastern District of Virginia, U.S. District Court,
200 South Washington Street, Alexandria, Virginia, on January 12,
1983.

b3
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b7C

58-264-60

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 11 1983	
FBI - ALEXANDRIA	
[redacted]	[redacted]

g/m

b6
b7C

Investigation on 1/4/83 at Seattle, Washington File # SE 58-315

by SA [redacted] RLF:lah Date dictated 1/4/83

x Airtel

2/9/83

TO: DIRECTOR, FBI
FROM: *W* SAC, ALEXANDRIA (58-264)(P)

CHANGED

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE NAVY
COI - DOD
(OO:ALEXANDRIA)

Title marked "Changed" to add subjects Crandon and Kitson. Title previously carried as "Thomas K. Jones, Deputy Undersecretary of Defense; Melvin Robert Paisley, Assistant Secretary of the Navy; Herbert A. Reynolds, Office of the Secretary of Defense; COI - DOD".

Re Alexandria teletype to the Bureau dated 1/12/83; and Alexandria airtel to the Bureau dated 10/18/82.

Enclosed for the Bureau are the original and three copies of a self-explanatory LHM. One copy of instant LHM has been afforded Department of Justice Attorney

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b7C

2-Bureau (Enc. 4)
2-Alexandria
PMS:sfk
(4) *sfk*

1*

b6
b7C

58-264-601
SEARCHED _____ INDEXED *MT*
SERIALIZED *MT* FILED *MT*

PMS

x Airtel

2/15/83

TO: SAC, SEATTLE (58-315)
FROM: SAC, ALEXANDRIA (58-264) (P)

CHANGED (IO)

THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
MELVIN ROBERT PAISLEY,
ASSISTANT SECRETARY OF THE NAVY;
HERBERT A. REYNOLDS,
OFFICE OF THE SECRETARY OF DEFENSE;
LAWRENCE H. CRANDON,
NORTH ATLANTIC TREATY ORGANIZATION;
HAROLD KITSON, JR.,
DEPUTY ASSISTANT SECRETARY OF THE NAVY
COI-DOD
(OO:AX)

Title marked "Changed (IO)" to add subjects Crandon and Kitson. Title previously carried as "THOMAS K. JONES, DEPUTY UNDERSECRETARY OF DEFENSE; MELVIN ROBERT PAISLEY, ASSISTANT SECRETARY OF THE NAVY; HERBERT A. REYNOLDS, OFFICE OF THE SECRETARY OF DEFENSE; COI-DOD."

Re Seattle airtel to Alexandria, 2/2/83.

Enclosed for Seattle are two copies of an FD-302 with Harold Kitson, Jr.

Subject Kitson advised that handled preparing his termination payment and would not tell him what it consisted of.

b6
b7C

2-Seattle (Enc. 2)

2-Alexandria

PMS:sw
(4)

sw

PMS

[Handwritten signature]

[Redacted box]

b6
b7C

58-264-63
SEARCHED INDEXED
SERIALIZED FILED
FEB 17 1983
FBI - ALEXANDRIA

AX 58-264

LEAD

b6
b7C

SEATTLE DIVISION

AT SEATTLE, WA.

Locate and interview at the Boeing Corporation regarding his part in obtaining termination pay for Kitson.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 2/16/83

TO: DIRECTOR, FBI
 (ATTENTION: LIAISON UNIT)

FROM: *W* SAC, ALEXANDRIA (58-264)(P)

THOMAS K. JONES,
 ET AL
 COI - DOD
 (OO:ALEXANDRIA)

Re Alexandria airtel to the Bureau dated 2/9/83.

Enclosed for the Bureau are six copies of an LHM dated February 9, 1983, and six copies of an LHM dated October 18, 1982.

Enclosures are to be forwarded to Legat Paris. Due to the sensitive nature of the case, it is requested that enclosed lead be covered as soon as possible.

5-Bureau (Enc. 12)
 (2- Legat Paris)
 (1- Liaison Unit)
 2-Alexandria
 PMS:sfk
 (7) *sfk*

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58-264-644
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Approved: _____ Transmitted _____ Per _____
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FM SEATTLE (29A-2760) (P)

TO SAN FRANCISCO (29A-7041) (SQ 5) ROUTINE

ALEXANDRIA (58-264) ROUTINE

BT

b6
b7C

UNCLAS

[REDACTED] AKA [REDACTED] EDWIN D. JONES;

CLYDE SKEEN; E. D. JONES COMPANY, DEA INDUSTRIAL TELEPHONE SYSTEMS, INC.; BANK OF CALIFORNIA; SECURITY PACIFIC NATIONAL BANK; WELLS FARGO BANK; BANK OF AMERICA; BF & E. OO: SAN FRANCISCO.

RE SAN FRANCISCO TELCALL TO SEATTLE DIVISION SA [REDACTED]

[REDACTED] ON FEBRUARY 17, 1983; SAN FRANCISCO TELETYPE TO SEATTLE, FEBRUARY 21, 1983; AND SEATTLE TELCALLS TO SAN FRANCISCO, FEBRUARY 22, 1983; AND FEBRUARY 25, 1983.

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b7C

[REDACTED] THE BOEING COMPANY, SEATTLE, WASHINGTON, ADVISED THAT CLYDE F. SKEEN HAS BEEN AN EMPLOYEE OF THE BOEING COMPANY CONTINUOUSLY FOR 23 YEARS. HE IS PRESENTLY THE SENIOR VICE PRESIDENT IN CHARGE

58-264-69

✓ Filed

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MAR 1983	
FBI - ALEXANDRIA	

[REDACTED] [INITIALS]

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b7C

PAGE TWO SE 29A-2760 UNCLAS

OF THE BOEING AEROSPACE COMPANY, ALONG WITH TWO OTHER BOEING COMPANIES. HE IS A HIGHLY RESPECTED MEMBER OF THE BOEING CORPORATE STRUCTURE.

[] FURTHER ADVISED THAT BOEING RECORDS DO NOT INDICATE ANY BREAK IN EMPLOYMENT DURING HIS 23 YEARS OF BOEING EMPLOYMENT. IT WAS FURTHER NOTED THAT BOEING RECORDS DO NOT INDICATE THAT SKEEN HAS ACTED IN THE CAPACITY OF A CONSULTANT DURING 1976 THROUGH 1978 INCLUSIVE.

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b7C

ALEXANDRIA DIVISION CURRENTLY IS INVESTIGATING A CONFLICT OF INTEREST MATTER INVOLVING PAYMENT MADE BY THE BOEING COMPANY TO FORMER EMPLOYEES WHO NOW HOLD POSITIONS WITH THE DEPARTMENT OF DEFENSE AND DEPARTMENT OF NAVY. CLYDE SKEEN WAS INSTRUMENTAL IN AUTHORIZING THOSE PAYMENTS AND MIGHT BE CHARGED IN THE FUTURE. (ALEXANDRIA CASE NUMBER 53-264; SEATTLE CASE NUMBER 52-315.)

BT

x Airtel

3/11/83

TO: DIRECTOR, FBI
FROM: SAC, ALEXANDRIA (58-264) (P)
THOMAS K. JONES,
DEPUTY UNDERSECRETARY OF DEFENSE;
ET AL
COI-DOD
(OO:AX)

Re Alexandria airtels to Bureau dated 2/16/83, and
2/9/83.

Enclosed for the Bureau are the original and three
copies of a self-explanatory LHM.

For information of the Bureau, DOJ Attorney [redacted]
[redacted] advised that DOD General Counsel [redacted] told him
that a "New York Times" reporter had requested the financial dis-
closure form for Jones, Paisley and Reynolds. [redacted] stated that
[redacted] told him that she thought someone at DOD had leaked the
information as the reporter called the day after FBIHQ had
disseminated an LHM to DOD. [redacted] requested that the
Alexandria Field Division personally handle dissemination of
future LHM's and FBIHQ refrain from any dissemination.

b6
b7C

One copy of instant LHM has been afforded DOJ Attorney
[redacted] and the DOD Inspector General's Office.

2-Bureau (Enc. 4)
3-Alexandria (2-58-264)
PMS:sw (1-66-71 Sub A)
(5)

fw

58-264-72
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SERIALIZED FILED

58-264-77
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pl

The investigation of Boeing's severance payment was referred to the Justice Department from the Defense Department after the Defense Contract Audit Agency came across the payments, according to Government officials. The audit agency examines the books of military contractors and evaluates the acceptability of costs claimed or proposed.

According to Government officials, the three Defense Department officials denied any wrongdoing in interviews with the Federal Bureau of Investigation, which is assisting in the investigation. The bureau also interviewed Boeing officials, the officials said.

One Federal law on conflict of interest at issue in the investigation is Title 18 Section 209, which makes it a crime for the salary of Government officials to be supplemented by non-Government sources.

Lawyers for Boeing said they could not find record of any criminal prosecutions under this statute in the last 63 years. The statute became an issue last year when, after news accounts of the matter, Attorney General William French Smith returned a \$50,000 severance payment he had received from a company upon entering the Government.

Norms for Severance Involved

According to Government lawyers, a key factor in any prosecution under Section 209 would be whether the severance payments to a person who resigned to enter the Government differed from severance payments to other employees.

Boeing has several programs under which employees receive compensation upon leaving. The basic terms are detailed in the company's proxy statement.

In a statement, Boeing says it had, "as is commonplace in industry, paid severance compensation to employees who left the company to enter Government service." The statement did not address the question of how payments to Mr. Paisley, Mr. Reynolds and Mr. Jones compared with compensation paid other employees who left Boeing.

Details about some of Mr. Paisley's compensation from Boeing came out in the divorce trial in Seattle in 1980. According to court records of the proceeding between Mr. Paisley and Mildred, his third wife, and his income tax returns, his average income from 1974 and 1978 was \$80,000 a year. By contrast, for 1980 and part of 1981, Mr. Paisley earned a total of \$180,000 from Boeing, according to his financial disclosure statement.

Value of Investments at Issue

In October 1979, in response to a subpoena, Boeing told Mrs. Paisley's lawyer that as of Sept. 1, 1979, Mr. Paisley's Voluntary Investment Plan was valued at \$88,000. In the June 1981 financial statement, Mr. Paisley placed his holdings in the \$100,001-to-\$250,000 bracket.

Gretchen C. Schneeberger, a supervisor in Boeing's trust fund accounting department, who supplied information in 1979 about Mr. Paisley's accounts, said last week that the value of various Boeing investment plans were "fairly low" through most of 1981.

"I'd like to figure that out, too," she said, when asked how Mr. Paisley's holdings could have increased so quickly.

In the Lehman inquiry, the Federal Bureau of Investigation has been interviewing and taking sworn statements from former employees of the Abington Corporation in the last few weeks. When Mr. Lehman took office he pledged to sell Abington, which is owned by the Navy Secretary and his wife, Barbara. However, he kept the corporation, converting it to a holding company, and sold the overseas rights to Abington's name for \$60,000 to Lord Chalfont, who had worked for Abington earlier.

Mr. Lehman received the \$60,000 in October 1981. Mr. Lehman, in an interview last December, said that he had "retained the rights to operate as a consulting firm in the United States" after

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☒ UNCLAS E F T O
☐ UNCLAS

Date 3/28/83

FM ALEXANDRIA (58-264) (P)

TO SEATTLE (58-315) ROUTINE ⁴⁴⁸/₂

BT

UNCLAS E F T O

THOMAS K. JONES, ET AL; CONFLICT OF INTEREST - DEPARTMENT OF
 DEFENSE, (OO:ALEXANDRIA)

RE ALEXANDRIA AIRTEL TO SEATTLE DATED FEBRUARY 15, 1983.

FOR INFORMATION OF SEATTLE, DOD INSPECTOR GENERAL'S OFFICE IS
 CURRENTLY REVIEWING CORRESPONDENCE, TELEPHONE LOGS AND CALENDARS
 FOR SUBJECTS PAISLEY, REYNOLD AND JONES TO DETERMINE WHAT BOEING
 PROJECTS THEY HAVE CONTROL OVER. REVIEW OF PAISLEY'S FILES HAVE
 INDICATED HE HANDLED THE J VX PROGRAM, THE STAND OFF ASW PROGRAM
 AND THE ECX PROGRAM. REVIEW OF JONES' AND REYNOLD'S FILES HAVE
 NOT BEEN COMPLETED.

DOJ ATTORNEY REQUESTED THE BUREAU DETERMINE
 WHO BOEING PROJECT MANAGERS ARE FOR THE J VX, STAND OFF ASW AND ECX
 PROGRAMS, WITHOUT MAKING DIRECT CONTACT WITH BOEING. DOD INSPECTOR

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Approved: *JJO/rp*Transmitted 006

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FBI

TRANSMIT VIA:

- ☐ Teletype
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PRECEDENCE:

- ☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date _____

PAGE TWO AX 58-264 UNCLAS E F T O

GENERAL'S OFFICE ADVISED [] OF DCAA SHOULD HAVE THAT
INFORMATION. [] WAS INITIALLY CONTACTED BY THE SEATTLE
OFFICE ON AUGUST 31, 1982.

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SEATTLE WILL RECONTACT [] IN AN ATTEMPT TO DETERMINE
BOEING PROJECT MANAGERS FOR THE ABOVE-MENTIONED PROGRAMS.

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Approved: _____ Transmitted _____ Per _____
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Boeing Severance to 3 in Pentagon Under Big Severance Payments by Boeing To 3 Pentagon Aides Under Inquiry

Continued From Page A1

that the company "has done nothing unlawful, unethical or otherwise improper."

The so-called revolving door between the Defense Department and military contractors has often been studied, but, according to authorities in the area, this may be the first time that a criminal investigation has focused on payments to aerospace executives entering the Pentagon.

Boeing was the nation's sixth largest defense contractor last year, receiving \$3.2 billion in fiscal year 1982, up from \$2.6 billion in 1981 and \$2.3 billion in 1980. Defense Department figures show. Last year, the head of Boeing's aerospace divisions predicted that further gains could be expected over the next few years, in part because of more than a billion dollars in expected new contracts with the Navy.

The Secretary of the Navy, John F. Lehman Jr., who was a consultant to Boeing before taking office in 1981, is also under investigation by the Justice Department, according to Government officials. Mr. Lehman has denied any wrongdoing.

Consulting Company Involved

The Lehman inquiry is separate from the Boeing investigation. It involves the Abington Corporation, a defense-related consulting company owned by Mr. Lehman, the officials said. Before 1981, Abington earned \$350,000 a year from Boeing, and Mr. Paisley was the main point of contact between Boeing and Abington, according to a former Abington employee. The issue in the Lehman investigation, according to authorities, is Mr. Lehman's handling of his interest in Abington after he entered the Government.

After taking office in 1981, Mr. Lehman retained his ownership of Abington and, for \$60,000, gave the use of Abington's name abroad temporarily to Lord Chalfont of Britain. Lord Chalfont said he had retained some of Abington's clients, including Boeing.

Boeing declined to disclose the size of the severance payments and other com-

pensation to Mr. Paisley, Mr. Jones and Mr. Reynolds or to say how they compared with those of other employees of comparable rank. Government officials said the payments to the three men totaled \$400,000, but the officials did not provide a breakdown. Public records and other documents show these figures:

Mr. Paisley earned a total of \$180,000 in salary from Boeing in 1980 and the first part of 1981, according to a financial disclosure statement dated June 1981, three months before he left the company. The statement also showed holdings of \$100,001 to \$250,000 in Boeing's Voluntary Investment Plan. Mr. Paisley and Boeing had contributed to this.

Records from a 1980 divorce case show much lower income in previous years and an investment plan value of only \$98,000 as of September 1979. The supervisor of Boeing trust funds' accounting department said she was puzzled how the value of Mr. Paisley's investment program holdings could rise so much in 21 months.

Mr. Jones, in a June 1981, financial disclosure statement, listed a 1980 salary from Boeing of \$88,200. For 1981, he originally showed income of \$176,900, but that figure was crossed out and changed to \$200,300, which included "income from company sponsored investment plans."

Mr. Reynolds's disclosure statement, dated July 1981, listed no income or payments from Boeing, where he was employed from 1976 until Aug. 1, 1981. Mr. Reynolds said that his income from Boeing was a private matter and that Defense Department officials had told him he was not required to disclose his Boeing salary.

David R. Scott, acting head of the Office of Government Ethics, said that incoming Government officials like Mr. Reynolds were required under the law to disclose any income they received in the previous two years. Mr. Reynolds said he would disclose his compensation if asked by the Defense Department. A Defense Department lawyer said today that Mr. Reynolds was asked to amend his original disclosure statement after investigators learned of his severance payment. The lawyer said that the Jus-

tice Department took jurisdiction of the case away from the Pentagon before Mr. Reynolds fully complied with the request.

No Direct Involvement Seen

After the investigation began, the three men, at the request of the Defense Department, disqualified themselves from dealing with matters involving Boeing, according to a Pentagon lawyer. The lawyer said that he did not know whether they had dealt with Boeing before they disqualified themselves.

From 1970 to 1979, 388 officials moved back and forth between Boeing and the Pentagon, the largest for any military contractor, according to a 1981 study by the Council on Economic Priorities, a nonprofit research group.

There are many ties between Boeing and the Reagan Administration. They date from the transition period, when the deputy head of the Reagan transition team for the Defense Department was a Boeing vice president, Benjamin T. Plymale. Mr. Reynolds said he served with Mr. Plymale on the transition team. Mr. Plymale, who died in August 1981, supported the choice of Mr. Lehman and Mr. Paisley for their Government positions, according to Administration sources and former Boeing employees.

Mr. Plymale also helped introduce Mr. Lehman and Mr. Paisley, according to former associates.

Other Administration officials with ties to Boeing include Richard N. Perle, Assistant Secretary of Defense for international security policy, who worked for Mr. Lehman's Abington Corporation and did consulting work for Boeing, according to public documents, and Ronald M. Mann, who left Boeing for the White House, where he is associate director for Presidential personnel in the national security area.

One Finds Severance Small

Neither Mr. Perle nor Mr. Mann is under investigation. Mr. Mann said that Boeing's 1981 severance payments to him, \$13,000 according to Mr. Mann's financial disclosure statement, were less than generous. Mr. Mann, whose salary at Boeing for 1980 and part of 1981 was \$65,000, said he did not participate in Boeing's Voluntary Investment

By JEFF GERTH
Special to The New York Times

WASHINGTON, March 15 — A Federal grand jury is investigating the cases of three Boeing Company executives who received at total of \$400,000 in severance payments when they left the company in 1981 to take high-level Defense Department positions in the Reagan Administration, according to officials in the Government and the company.

The investigation, which began last summer, according to law-enforcement officials, is to determine whether the severance payments were larger than or different from those normally paid by Boeing to executives who resign, whether they constituted a conflict of interest and whether the officials reported the payments properly on the public financial statements Government officials must file.

It is against the law for companies to pay extra compensation to employees who enter the Government.

The officials under investigation are Melvyn R. Paisley, Assistant Secretary of the Navy for research, systems and engineering; T. K. Jones, Deputy Under Secretary of Defense for strategic theater nuclear forces, and Herbert A. Reynolds, Deputy Director of the Defense Department's Office of Intelligence and Space Policy.

Mr. Jones and Mr. Paisley declined numerous requests for interviews and did not respond to written inquiries left

with them last week. But, according to Government officials, they denied any wrongdoing when questioned by Federal investigators.

Mr. Reynolds said that whatever he received from Boeing was "perfectly proper."

"I haven't done anything wrong," Mr. Reynolds said. "Boeing is not going to gain from what I do. If I have any residual loyalty it's to the Government, where I served 27 years, not to a company where I spent five years." Mr. Reynolds was for 27 years an Air Force officer before retiring as a lieutenant colonel and going to work for Boeing.

The Defense Department declined to comment on the investigation.

Boeing, in a statement, said that it was fully cooperating with the Government's requests for information and

Continued on Page B6, Column 1

N.Y. TIMES
MAR 16, 1983

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[Signature]

Boeing severance pay to 3 executives probed

by Peter Rinearson
Times aerospace reporter.

A federal grand jury is investigating large severance payments Boeing made to three executives who quit to accept high Defense Department posts.

Boeing spokesman Pete Bush today said the company is cooperating with the investigation. "We feel we have done nothing illegal, nothing improper, nothing wrong," he said.

Bush said he didn't know how much severance compensation was paid to the three, but the New York Times reported that it totaled \$400,000.

All three former Boeing executives were in their offices this morning, but none could be reached for comment. A Pentagon public affairs officer said at least one had decided not to talk to reporters.

The three are:

- Melvyn R. Paisley, assistant secretary of the Navy for research, systems and engineering, formerly manager of international sales for Boeing Aerospace Co. and vice president of Boeing Interna-

tional Corp.;

- T.K. Jones, deputy undersecretary of defense for strategic nuclear forces, formerly a Boeing specialist on civil defense;

- Herman A. Reynolds, deputy director of the Defense Department's Office of Intelligence and Space Policy.

At issue is whether Boeing, the nation's sixth-largest defense contractor, gave the three more severance pay than is typically awarded to its executives departing for nongovernment jobs. It is illegal for a company to issue extra pay to an employee entering government service.

"The fact is, it is common place" for companies to pay executives something extra when they enter public service, Bush said.

According to the New York Times, federal investigators also want to determine whether the payments are a conflict of interest and whether they were properly reported in public financial statements required of federal officials.

The law is intended to protect against a public decision-maker

favoring a former employer because of especially generous severance pay.

The New York Times reported Paisley earned \$180,000 in salary from Boeing in 1980 and the first part of 1981, according to a financial disclosure statement dated June 1981. He left the company three months later. The statement also showed holdings of between the \$100,001 and \$250,000 in Boeing's Voluntary Investment Plan, the New York Times said.

In a June 1981 financial disclosure statement, Jones listed his 1980 Boeing salary as \$68,200. For 1981, it jumped to \$200,300, including "income from company-sponsored investment plans," the New York Times said.

Reynolds' financial disclosure statement, dated July 1981, listed no income or payments from Boeing, the New York Times added.

A Justice official, who declined to be identified, suggested the investigation was centered in Seattle, not Washington, D.C., and that the FBI is involved. An FBI spokesman in Seattle said he could not confirm or deny that his

agency is involved.

After the investigation began last summer, the Defense Department reportedly asked the three to disqualify themselves from matters pertaining to Boeing. It is not known to what extent they may have been involved in Boeing-related issues before they disqualified themselves.

Reynolds was quoted by the New York Times as saying, "I haven't done anything wrong. Boeing is not going to gain from what I do. If I have any residual loyalty it's to the government, where I served 27 years (as an Air Force officer), not to a company where I spent five years."

Boeing is relying increasingly on Defense Department contracts to turn a profit, because the depressed airline market has for the most part dried up orders for new commercial airliners. Military sales increased from \$1.3 billion in 1980 to \$2.2 billion in 1981 to \$3.2 billion last year, according to the company.

Only \$16 million of Boeing's \$364 million pretax profits last year came from commercial airplane

operations, according to the company's just-released 1982 annual report. The bulk of the remainder came from military contracts.

Government officials told the New York Times the Defense Contract Audit Agency came across the payments to the three officials, and the matter was referred to the Justice Department by the Department of Defense.

Jones gained public attention last year in a widely quoted article in the Los Angeles Times in which he expressed the view that the United States would recover from an all-out nuclear war in two to four years if individuals and industry made proper preparations.

"Everybody's going to make it if there are enough shovels to go around," Jones said. The shovels would be used to dig primitive fallout shelters away from cities.

While at Boeing, Jones oversaw tests in which Boeing tooling equipment was subjected to powerful non-nuclear explosions in Arizona.

■ Boeing says it ended 1982 in sound financial condition. C 1.

Severance-pay issue tied to 'revolving door'

By Ross Anderson
Times Washington bureau

WASHINGTON — Reported severance pay for former Boeing employees who have moved to the Pentagon is symptomatic of the revolving door between industry and government, "a problem we've never been able to come to grips with," Sen. Henry Jackson said.

Jackson responded to reports that a federal grand jury is investigating Boeing's reported payment of \$400,000 in "severance pay" to the former company officials who have taken high positions in the Pentagon.

The three are Melvyn Paisley, assistant secretary for research, systems and engineering; T.K. Jones, deputy undersecretary of defense, and Herbert Reynolds, deputy director of the Defense Department's office of intelligence and space policy.

A spokesman said the Defense Department's policy is that none of the three will discuss the severance-pay reports while the investigation is under way.

(In Seattle, Boeing spokesman Pete Bush said he did not anticipate the company would

release additional information on the case unless it ends up in a public forum.)

Jackson said he knows nothing of the case, but added that it is typical of an "age-old" Pentagon problem of how to recruit "totally qualified people" without dipping into the ranks of Boeing and other defense contractors.

Complaints of the so-called "revolving door" between the Pentagon and major military contractors are chronic, Jackson said.

However, other observers inside and outside the Pentagon said the reports of large severance payments are a new wrinkle on an old theme.

"There's nothing wrong with civilians coming to work for the government; we're all for it," said retired Navy Rear Adm. Gene LaRocque, co-founder of the Center for Defense Information, a public-interest agency based here. "But this severance-pay business really stinks," he added.

Investigators reportedly are inquiring whether the large severance pay constitutes a conflict of interest.

It was Jackson who made the motion to confirm Paisley to his Pentagon job during a

Senate Armed Services Committee hearing in November 1981. Jackson told the committee that Paisley was selling his Boeing stock and changing his life insurance so that "there are no possible conflicts of interest in that regard."

Paisley, a World War II fighter ace, was employed at Boeing for 28 years, where he was involved in management of major weapons-development programs like the Minuteman missile, the B-1 bomber and others.

In his confirmation testimony, he said he was returning to government from a sense of duty. "George Washington said that 'Anybody who lives in a free democracy should be willing to give some part of his personal property and some part of his personal service to the defense of that society,'" Paisley told the committee. "I think the personal service that I bring to this position is one of 28 years working in (research and development) and an understanding of military requirements."

One Pentagon official, who declined to be quoted, said Paisley now is in a position to affect large military contracts, but that he had "exempted himself" from any consideration of Boeing contracts.

File - Serial Charge Out
FD-5 (Rev. 6-17-70)

File 57-264 Class. _____ Case No. _____ Last Serial _____ Date 83

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Employee

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RECHARGE

Date _____

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Date charged

Employee

Location

File - Serial Charge Out
FD-5 (Rev. 6-17-70)

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THOMAS K. JONES; ET AL; CONFLICT OF INTEREST - DEPARTMENT OF
DEFENSE; OO: ALEXANDRIA.

RE ALEXANDRIA TELETYPE TO SEATTLE, DATED MARCH 28, 1983.

[REDACTED] DEFENSE CONTRACT AUDIT AGENCY (DCAA),
BOEING AEROSPACE COMPANY (BAC), ADVISED OF FOLLOWING ON MARCH 30,
1983:

AS OF JANUARY 24, 1983, [REDACTED] WAS PROJECT MANAGER
OF THE STANDOFF ASW PROGRAM. [REDACTED] TELEPHONE NUMBER
IS [REDACTED] AT BAC RENTON PLANT.

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AS OF SEPTEMBER 16, 1982, [REDACTED] WAS PROJECT MANAGER
OF THE ECX PROGRAM, WHICH PROGRAM CURRENTLY DESIGNATED THE E-6A
PROGRAM. [REDACTED] BELIEVES [REDACTED] TO BE [REDACTED]
TELEPHONE NUMBER [REDACTED].

Extra/duplicate serials
have been destroyed
per Buairtel, 31/025.

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PAGE TWO SE 58-315 UNCLAS

[REDACTED] ADVISED HE DOES NOT KNOW OF THE JVX PROGRAM, AND
DCAA RECORDS AT BAC DO NOT SHOW WHO THE PROJECT MANAGER OF THIS
PROGRAM MIGHT BE.

BT

WASHINGTON — A federal grand jury is investigating the cases of three Boeing Co. executives who received \$400,000 in severance payments when they left the company in 1981 to take high-level Defense Department positions, according to government and company officials.

The investigation, which began last summer, according to law enforcement officials, is to determine whether the severance payments were larger than or different from those normally paid by Boeing to executives who resign.

Investigators also want to find out if payments constituted a conflict of interest and whether the officials reported the payments properly on public financial statements that government officials must file.

Under investigation

It is against the law for companies to pay extra compensation to employees who enter the government.

The officials under investigation are Melvyn R. Paisley, assistant secretary of the Navy for research, systems and engineering; L. K. Jones, deputy under secretary of defense for strategic theater, nuclear forces; and Herbert A. Reynolds, deputy director of the Defense Department's Office of Intelligence and Space Policy.

Jones and Paisley declined numerous requests for interviews and did not respond to written inquiries left them last week. But, according to government officials, they denied any wrongdoing when questioned by federal investigators.

Reynolds said that whatever he

Seattle Post-Intelligencer

Wednesday,
March 16, 1983
25 Cents

U.S. probing payments to 3 Boeing executives

Phy/His
Sciacca, FBI

Federal grand jury probes Boeing payments to execs hired by the government

From Page A-1

received from Boeing was "perfectly proper."

"I haven't done anything wrong," Reynolds said. "Boeing is not going to gain from what I do. If I have any residual loyalty it's to the government, where I served 27 years, not to a company where I spent five years." Reynolds was for 27 years an Air Force officer before retiring as a lieutenant colonel and going to work for Boeing.

The Defense Department declined to comment on the investigation.

Boeing, in a statement, said that it was cooperating fully with the government's requests for information and that the company "has done nothing unlawful, unethical or otherwise improper."

Federal law

In Seattle, Boeing spokesman Pete Bush said, "We are aware of the investigation and we are cooperating. To the best of our knowledge the company didn't do anything illegal, improper or wrong."

One federal law on conflict of interest which is at issue in the investigation is Title 18, Section 209, which makes it a crime for the salary of government officials to be supplemented by non-government sources.

The so-called revolving door between the Defense Department and military contractors has often been studied, but this may be the first time a criminal investigation has focused on payments to aerospace executives entering the Pentagon.

Boeing was the nation's sixth largest defense contractor last year, receiving \$3.2 billion in fiscal year 1982, up from \$2.8 billion in 1981 and \$2.3 billion in 1980, Defense Department figures show. Last year, Boeing predicted further gains over the next few years, in part because of more than a billion dollars in expected new contracts with the Navy.

The secretary of the Navy, John

F. Lehman Jr., who was a consultant to Boeing before taking office in 1981, is also under investigation by the Justice Department, according to government officials. Lehman has denied any wrongdoing.

The Lehman inquiry is separate from the Boeing investigation. It involves the Abington Corp., a defense-related consulting company owned by Lehman, the officials said. Before 1981, Abington earned \$350,000 a year from Boeing, and Paisley was the main point of contact between Boeing and Abington, according to a former Abington employee. The issue in the Lehman investigation, according to authorities, is Lehman's handling of his interest in Abington after he entered the government.

Boeing declined to disclose the size of the severance payments and other compensation to Paisley, Jones and Reynolds. But public records and other documents show the following figures.

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Figure is changed

Records from a 1980 divorce case show much lower income in previous years and an investment plan value of only \$68,000 as of September 1979. The supervisor of the Boeing trust fund accounting department said she was puzzled about how the value of Paisley's investment program holdings could rise so much in 21 months.

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David R. Scott, acting head of the Office of Government Ethics, said that incoming government officials like Reynolds are required under law to disclose any income they received in the previous two years.

A Defense Department lawyer said yesterday that Reynolds was asked to amend his original disclosure statement after investigators learned of his severance payment.

After the investigation began, the three men, at the request of the Defense Department, disqualified them-

selves from dealing with matters involving Boeing, according to a Pentagon lawyer. The lawyer said he did not know whether they had dealt with Boeing before they disqualified themselves.

From 1970 to 1979, 338 officials moved back and forth between Boeing and the Pentagon, the largest for any military contractor, according to a 1981 study by the Council on Economic Priorities, a nonprofit research group.

There are many ties between Boeing and the Reagan administration. They date from the transition period, when the deputy head of the Reagan transition team for the Defense Department was a Boeing vice president, Benjamin T. Plymale.

Two men introduced

Reynolds said he served with Plymale on the transition team. Plymale, who died in August 1981, supported the choice of Lehman and Paisley for their government positions, according to administration sources and former Boeing employees.

Plymale also helped introduce Lehman and Paisley, according to former associates.

The investigation of Boeing's severance payments was referred to the Justice Department from the Defense Department after the Defense Contract Audit Agency came across the payments, according to government officials. The audit agency examines the books of military contractors and evaluates the acceptability of costs claimed or proposed.

According to government officials, the three Defense Department officials denied any wrongdoing in interviews with the FBI, which is assisting in the investigation. The bureau also interviewed Boeing officials, the government sources said.

Court records

In a statement, Boeing says it had, "as is commonplace in industry, paid severance compensation to employees who left the company to enter government service."

Details about some of Paisley's compensation from Boeing came out in the divorce trial in Seattle in 1980. According to court records of the proceeding between Paisley and Mildred, his third wife, and his income tax returns, his average income between 1974 and 1979 was \$60,000 a year. By contrast for 1980 and part of 1981, Paisley earned a total of \$180,000 from Boeing, according to his financial disclosure statement.

In October 1979, in response to a subpoena, Boeing told his wife's lawyer that as of Sept. 1, 1979, Paisley's Voluntary Investment Plan was valued at \$68,000. In the June 1981 financial statement, Paisley placed his holdings in the \$100,001-to-\$250,000 bracket.

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